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Canada

The trading nation welcomes you.

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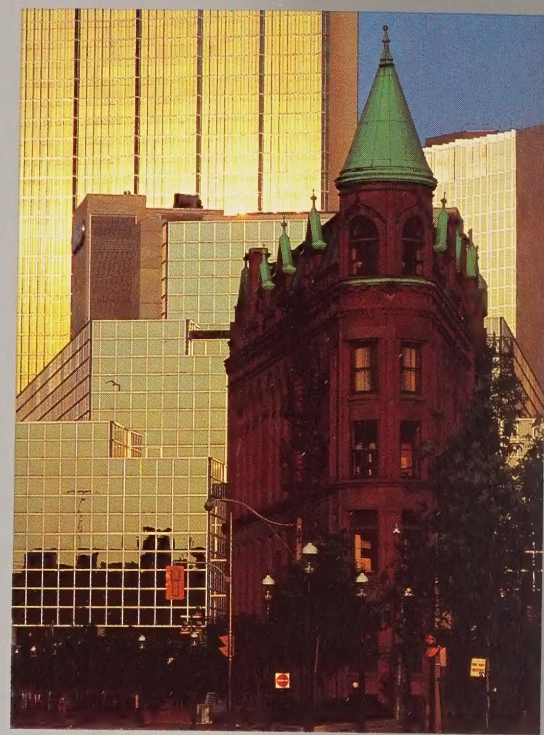
Canada

The right place at the right time.



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Welcome to the trading nation.

Canada's vibrant economy produces the fourth highest per capita GNP in the Western world. We are truly a trading nation: almost 30% of our GNP is devoted to exports.

There is a tremendous variety of land and sea scapes: mountains, prairies, rich flatlands, great lakes and rivers, coves, inlets, islands. Canadians have defied this geography to create a modern, sophisticated nation.

Our climate is equally diverse. Coastal cities enjoy a much milder climate than those inland. Generally, Canada enjoys four distinct seasons: a long, mild spring and summer; a cooling autumn and usually, a crisp white winter. Vancouver weather is much like London, England; Toronto and Montreal, like Chicago or New York; Halifax is much like Boston.

Canada is a federation of ten provinces and two territories. We've enjoyed continuous, stable and democratic government for over 115 years. Three main political parties are active in federal politics: the Progressive Conservatives, the Liberals and the New Democrats. Elected in September, 1984, the current government is led by Progressive Conservative Prime Minister Brian Mulroney.

Our 25.3 millions represent a rich ethnic diversity. The country has two official languages, English and French. There is also a strong cultural pluralism; Canadians of all backgrounds are encouraged to preserve their heritage.

The second largest country in the world has enjoyed over 100 years of stable, democratically-elected government. It is a peaceful country, safe and sound; no war has been fought on our soil for over 170 years.

"Reduce the federal deficit, limit government interference, develop a new energy policy, enhance external trade."

Canada actively encourages private investment in new ideas and technology. When the present government came to power (1984), a number of initiatives were taken: reduce the federal deficit, limit government interference in the marketplace, develop a new energy policy, enhance external trade, establish a new investment policy.

As a result, the growth of the federal deficit has finally been curbed. To reduce intervention, the government has privatized certain publicly-owned corporations.

Deregulation is being considered for several industries (telecommunications and transportation, for example).

As for energy, the new federal government dismantled the National Energy Program, replacing it with a market-driven policy. The Western Accord with the natural gas-producing provinces of British Columbia, Alberta and Saskatchewan makes the industry more market-oriented and eliminates a number of federal oil and gas taxes. The Atlantic Accord with the Province of Newfoundland finally provides a management and revenue-sharing system for off-shore oil. Further, there's a new frontier energy policy to provide incentives for petroleum exploration. As a result, drilling went up by Cdn$55.1 million in 1985.

This trading nation is working to strengthen its major global relationships. Right now, Canada and the US are each other's biggest trading partners. Even so, negotiations are under way to liberalize trade with the US even further. Such measures will give our goods better access to US markets and increase our specialization and product rationalization. For the first time ever, our trade with the Pacific Rim countries exceeded our trade with the European Economic Community. (Incidentally, Canada supports a new round of multilateral trade negotiations within the General Agreement on Tariffs and Trade.)

Our new investment policy is designed to provide a most attractive investment climate. The basic welcoming agent for this new policy is Investment Canada, created in June, 1985, replacing the Foreign Investment Review Agency. The new agency's fundamental purpose is to facilitate investment from both domestic and international sources. Investment Canada reviews only major non-Canadian investments to be certain they are of net benefit to Canada. Cultural industries, less than 1% of Canada's GNP, will be given special consideration.

The Agency also advocates policies that lead to an attractive business climate in Canada.


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The right time: for 1986, OECD predicts Canada will have a GNP growth second only to Japan.

Canada has the seventh largest economy in the western world (GNP, 1985: Cdn$453 billion), an increase of nearly 4.5% over 1984.

Canada is a thriving free market economy. It is diverse, with businesses ranging from small and owner-operated to multi-nationals. Government programs often supplement initiatives by the private sector and are designed to expand and diversify the economy.

We are justly renowned as the western world's richest resource-based country. However, manufacturing accounts for over 35% of our domestic output. In 1984, 40% of our exports were end products.

There's a fresh economic vibrancy reflected by our key economic indicators. In 1985, over 311,000 jobs were created. Our consumer price index inflation for the same year was the lowest since 1973: 4%.

Real domestic product in manufacturing rose from Cdn$23.1 billion in 1982, to Cdn$27.4 billion by third quarter 1985, an average annual increase of 5.8%.

Domestic investor confidence has increased. Between 1980 and 1985, the average annual investment rate in manufacturing went up by 3.9%; in finance, insurance and real estate, 6.6%. By 1984, 417 of the Fortune 500 had active operations in Canada.

Domestic Investment—Capital Expenditure

	1980	1981	1982	1983	1984	1985*
Agriculture, Fishing	4.5	4.7	4.3	4.1	4.2	4.1
Forestry	0.3	0.3	0.1	0.2	0.2	0.2
Mining, Quarrying, Oil Wells	8.2	9.4	10.4	9.6	9.7	11.3
Construction	1.1	1.3	1.3	1.3	1.3	1.4
Manufacturing	9.5	12.4	11.5	8.9	9.1	11.5
Utilities	13.1	16.3	17.9	15.5	14.4	14.1
Trade	1.6	2.0	1.9	2.0	2.4	2.4
Finance, Insurance, Real Estate	3.7	4.6	3.9	3.9	4.0	5.1
Commercial Services	4.0	4.3	4.0	3.9	5.0	6.0
Institutions	2.0	2.4	2.9	2.9	2.8	3.0
Housing	10.9	13.1	10.1	13.0	12.5	12.9
Sub-Total	58.9	70.9	68.5	65.3	65.6	72.0
Government	6.5	7.6	8.3	8.3	9.6	10.1
TOTAL	65.4	78.5	76.8	73.6	75.2	82.1

*Revised intentions at mid-1985.
Source: Statistics Canada, Private and Public Investment in Canada, (61-206)

Gross Domestic Product at Factor Cost in Constant (1971) Prices (billions of dollars)

	1980	1981	1982	1983	1984	1985†	Average Annual Growth rate 1980-83	Average Annual Growth rate 1982-85
Goods Producing Industries								
—Agriculture	2.9	3.2	3.3	3.1	3.1	3.2	1.7	−1.0
—Forestry, Fishing and Trapping	1.0	0.9	0.9	1.0	1.0	1.0	−0.8	3.6
—Mines, Quarries and Oil Wells	3.5	3.3	2.9	3.0	3.5	3.5	−4.5	6.5
—Manufacturing	25.8	26.1	23.1	24.4	26.4	27.4	−1.9	5.8
—Non-Durables	12.5	12.7	11.7	12.4	12.9	13.2	−0.4	4.1
—Durables	13.3	13.4	11.4	12.0	13.5	14.2	−3.3	7.6
—Construction	7.0	7.4	6.7	6.4	6.2	6.5	−3.3	−1.0
Service Producing Industries								
—Transportation, Storage and Communications	16.3	16.9	16.1	16.8	18.0	18.6	1.0	4.9
—Trade	15.0	15.2	14.2	15.4	16.3	17.2	0.8	6.6
—Finance, Insurance and Real Estate	15.4	16.0	16.1	16.5	16.9	17.7	2.3	2.2
—Community, Business and Personal Services	22.7	23.9	24.1	23.9	24.8	25.6	1.6	2.0
—Public Administration and Defence	8.0	8.1	8.4	8.5	8.6	8.7	2.3	1.2
Total Gross Domestic Product	117.8	121.1	115.9	119.0	124.9	129.3	0.3	3.7

Source: Statistics Canada; Gross Domestic Product by Industry Sept. 1985 61-005.
†Average of first three quarters

The trading nation: Canada is the United States' biggest trading partner: Cdn $166 billion in 1985. Over the past decade our average annual growth rate in trade was 13.3%.

Not only a trading nation, a leading trading nation. In fact, among the leading OECD Summit countries, only West Germany is more export-oriented.

More than 3 million Canadian jobs depend upon exports, nearly one quarter of our total workforce. In the manufacturing sector alone, upwards of 1.2 million are employed directly or indirectly in export activity.

Canada's trade growth is impressive: between 1975 and 1985, imports and exports grew at an average annual rate of 11.8% and 13.6% respectively.

Three quarters of our major exports are manufactured goods or end products. In 1985, at current dollars, exports constituted 27% of our GNP.

Principal Canadian Imports (Customs Basis) ($ billions and % distribution)

	1975		1980		1984		1985*		% Change	Avg. Ann. Growth
Commodity Group	Value	%	Value	%	Value	%	Value	%	1984-85	Rate, 1975-85(%)
Transportation Equipment	9.5	27.4	16.4	23.7	30.2	31.5	36.5	34.5	20.9	14.4
Communications & Computers	1.2	3.4	3.9	5.6	8.8	9.2	8.5	8.0	–3.4	21.6
Other Industrial Equipment	2.3	6.6	4.2	6.0	6.3	6.6	7.0	6.6	11.1	11.8
Food, Feed, Beverages & Tobacco	2.6	7.5	4.7	6.8	5.8	6.0	5.8	5.5	—	8.4
Chemicals	1.5	4.3	3.4	4.9	5.2	5.4	5.5	5.2	5.8	13.9
Special Industry Machinery	1.9	5.5	4.3	6.2	4.0	4.2	5.0	4.7	25.0	10.2
Oil & Coal	3.9	11.2	7.7	11.5	4.5	4.7	4.5	4.2	—	1.4
Textiles, Clothing and Footwear	1.4	4.0	2.5	3.6	3.9	4.1	4.2	4.0	5.1	11.6
General Purpose Machinery	1.3	3.7	2.4	3.5	2.6	2.7	3.0	2.8	15.4	8.7
Non-ferrous Metals	0.4	1.2	2.6	3.8	2.3	2.4	2.6	2.5	13.0	20.6
Other Products	8.7	25.1	17.2	24.8	22.2	23.1	23.1	21.9	12.6	11.1
TOTAL IMPORTS	34.7	100.0	69.3	100.0	95.8	100.0	105.7	100.0	10.3	11.8

Source: Statistics Canada, Summary of Canadian International Trade

*11 months annualized.

Note: Due to statistical "rounding", figures may not add up to 100%.


Hapag-Lloyd
Hapag-Lloyd

Imports and exports

We maintain active trade relations with all major industrialized nations. However, our trade partnership with the US is the most important. Canada and the US do more than Cdn$166 billion in trade annually; no other nation comes close to that volume.

Japan is our second-most important trading partner, with 4.9% of all exports and 5.7% of total imports in 1985. Third is the United Kingdom, with 2.1% of exports, 3.0% of imports. Fourth, the USSR with 1.4% of exports, 0.3% of imports. The People's Republic of China is fifth, with 1.1% of exports, 0.4% of imports.

The Pacific Rim has increased in importance and scope. Between 1978 and 1984, volume of trade with these countries virtually doubled to Cdn$6.2 billion.

Principal Canadian Exports (Customs Basis) ($ billions and % distribution)

	1975		1980		1984		1985*		% Change	Avg. Ann. Growth
Commodity Group	Value	%	Value	%	Value	%	Value	%	1984-85	Rate, 1975-85(%)
Transportation Equipment	7.3	22.5	13.4	18.0	32.3	29.5	36.5	31.4	13.0	17.5
Wood and Paper	5.0	15.4	12.5	16.8	15.2	13.9	15.8	13.5	3.9	12.2
Oil, Gas & Coal	4.6	14.2	7.8	10.5	10.1	9.2	11.9	10.2	17.8	10.0
Food, Feed, Beverages & Tobacco	4.0	12.3	8.0	10.8	10.3	9.4	9.1	7.8	−11.6	8.6
Communications & Other Equipment	1.0	3.1	3.0	4.0	6.0	5.4	6.4	5.5	6.7	20.4
Non-ferrous Metals	1.7	5.2	6.1	8.2	6.3	5.8	6.0	5.1	−4.8	13.4
Chemicals	1.0	3.1	4.1	5.5	5.3	4.8	5.5	4.7	3.8	18.6
Metal Ores, Concentrates & Scrap	2.3	7.1	4.2	5.6	3.7	3.3	3.5	3.0	−5.4	4.3
Refined Petroleum	0.6	1.8	2.3	3.1	3.2	2.9	3.2	2.7	—	18.2
Industrial Machinery	0.9	2.8	2.2	3.0	2.8	2.6	3.0	2.6	7.1	12.8
Other Products	4.1	12.6	10.8	14.5	14.3	13.1	15.5	13.3	8.4	14.2
TOTAL DOMESTIC EXPORTS	32.5	100.0	74.4	100.0	109.5	100.0	116.4	100.0	6.3	13.6
RE-EXPORTS	0.8		1.7		3.0		3.3		10.0	15.2
TOTAL EXPORTS	33.3		76.2		112.5		119.7		6.4	13.7

Source: Statistics Canada, Summary of Canadian International Trade
*11 months annualized.
Note: Due to statistical "rounding", figures may not add up to 100%.

In per capita wealth, Canada ranks fourth in the world. (EMF: 1985)* Further, we are a major partner in the North American market system of 250 million consumers.

As a market by itself, Canada had a GNP of Cdn$453 billion in 1985, seventh largest in the Western world.

Disposable income is high, and has grown at an annual average rate of 9.8% since 1980. By 1984, disposable income for workers averaged Cdn$26,367.

We are principally an urban society with a moderate population density. Two thirds of our 25.3 million Canadians are adult consumers of working age. Eighty percent of these are concentrated within 320 km (200 mi) of the Canada-US border. One third live in three major metropolitan markets: Vancouver, Toronto, Montreal. Over half live in 25 cities of 100,000 or more.

Eighty-two percent of Canadian households own automobiles. (Japan, France, Germany, and the UK, have household car ownerships between 60% and 70%.) Our households rank high, if not highest, for durable goods owned: refrigerators and radios (99%), television sets and telephones (98%), washing machines (77%) and video recorders (23.4%). Some 60% of Canadian families own their own homes, over 55% earn in excess of Cdn$35,000.

*The European Management Forum is an impartial foundation based in Switzerland. Founded in 1971, it is recognized as a world economic forum. Every year, EMF prepares international competitiveness comparisons.

North America's Regional Markets

Populations reached by truck

One day's trucking

Two days' trucking

Western	Midwest	Central	Eastern
Victoria	Regina	Chicago	Quebec City
Seattle	Thunder Bay	New York City	Saint John
Calgary	Denver	Boston	New York
Edmonton	Kansas City	Washington	Boston
San Francisco	Chicago	St. Louis	Montreal
Salt Lake City	Detroit	Minneapolis	Philadelphia
	Minneapolis	Detroit	Portland
	Bismark	Montreal	

Canada in the North American markets

As for the United States, Canada is quite simply that country's biggest trading partner. Over Cdn$91 billion in our goods and services was bought by the Americans in 1985. That's more than Japan sold there; more than Germany, France and the United Kingdom sold combined.

Many major American centres, including New York, Chicago, Seattle, Minneapolis, Philadelphia and Boston are all within one day's trucking distance of the Canadian border. Others (San Francisco, Denver, Kansas City, Nashville) are only two days away.

Trade flows naturally north and south, between the regional markets. The reasons? Proximity, similar business practices, common language, shared time zones and climates, plus such liberal trade agreement as the Auto Pact and the General Agreement on Tariffs and Trade. According to GATT, (Tokyo Round) 80% of all Canadian exports will enter the US duty-free by 1987. A further 10% will carry a duty of less than 5%.

Many international companies have taken advantage of Canada's premium position in the North American and world markets. Toyota, Siemens, Ikea, Volvo, Pechiney and Olivetti have established here for just that purpose. US firms (Westinghouse, United Technologies, Litton Industries, for example) have specialized operations here, many of which handle specific world product mandates.

Major Regions of Canada (1985)

Region	GDP (Cdn$ billion)	Major Industries	Major Exports	Major Cities—Census Metropolitan Areas
Pacific	$51	forestry, mining, tourism, agriculture, fishing, manufacturing, transportation	wood, paper, energy	Vancouver, British Columbia: 1.33 million Victoria, British Columbia: 242,000 Whitehorse, Yukon Territory: 14,814 (1981) Yellowknife, NW Territories: 10,000 (1981)
Prairie	$89	oil and gas, coal, minerals, agriculture, pulp and paper	energy, fuels, petrochemicals, wood products, grains	Edmonton, Alberta: 687,500 Calgary, Alberta: 619,700 Winnipeg, Manitoba: 603,500 Regina, Saskatchewan: 173,400 Saskatoon, Saskatchewan: 165,000
Central	$252	manufacturing, petrochemicals, agriculture	transportation equipment, wood and paper products, energy, advanced technology equipment	Toronto, Ontario: 3.14 million Ottawa, Ontario: 756,500 Montreal, Quebec: 2.90 million Quebec City, Quebec: 589,100
Atlantic	$24	fishing, refining, forestry, minerals	wood and paper, fish products, energy, transportation equipment	Halifax, Nova Scotia: 285,900 St. John, New Brunswick: 115,500 Charlottetown, Prince Edward Island: 152,282 (1981) St. John's, Newfoundland: 160,000

Source: Statistics Canada, 1985. Estimates except where indicated.


Canada

A tradition of innovation: the telephone was invented here; in 1984, we produced the space shuttle arm for NASA.

Our sophisticated technological infrastructure provides leading incentives for investment.

As a pioneer in space technology, Canada was the first nation in the world to orbit a commercial communications satellite system. We continue on the leading edge with the development of a UHF mobile satellite system.

Our telecommunications industry has a strong manufacturing and research base. For example, the longest commercial fibre optic system in the world connects 52 communities in the Province of Saskatchewan, a 3 268 km (2,031 mi) network.

Canadian technology automates the Bibliothèque Nationale de France, the Vatican library and the national telephone systems of Saudi Arabia, Iraq and Tunisia.

Specialized robotics have had a significant Canadian input. The Canadarm, the remote manipulator system of the space shuttle, is one of our contributions to the US space program. The resulting technology is now being applied to mining and deep-sea energy exploitation. We lead the world in cold-weather oil production and recovery. The Candu nuclear reactor has an enviable record of performance and safety.

In advanced agricultural research, we have developed the high-yield disease-resistant Durum wheat and Canola. Our Holstein genetics have greatly improved milk yield and breeding performance. Canada is now the number one exporter of Holstein semen.

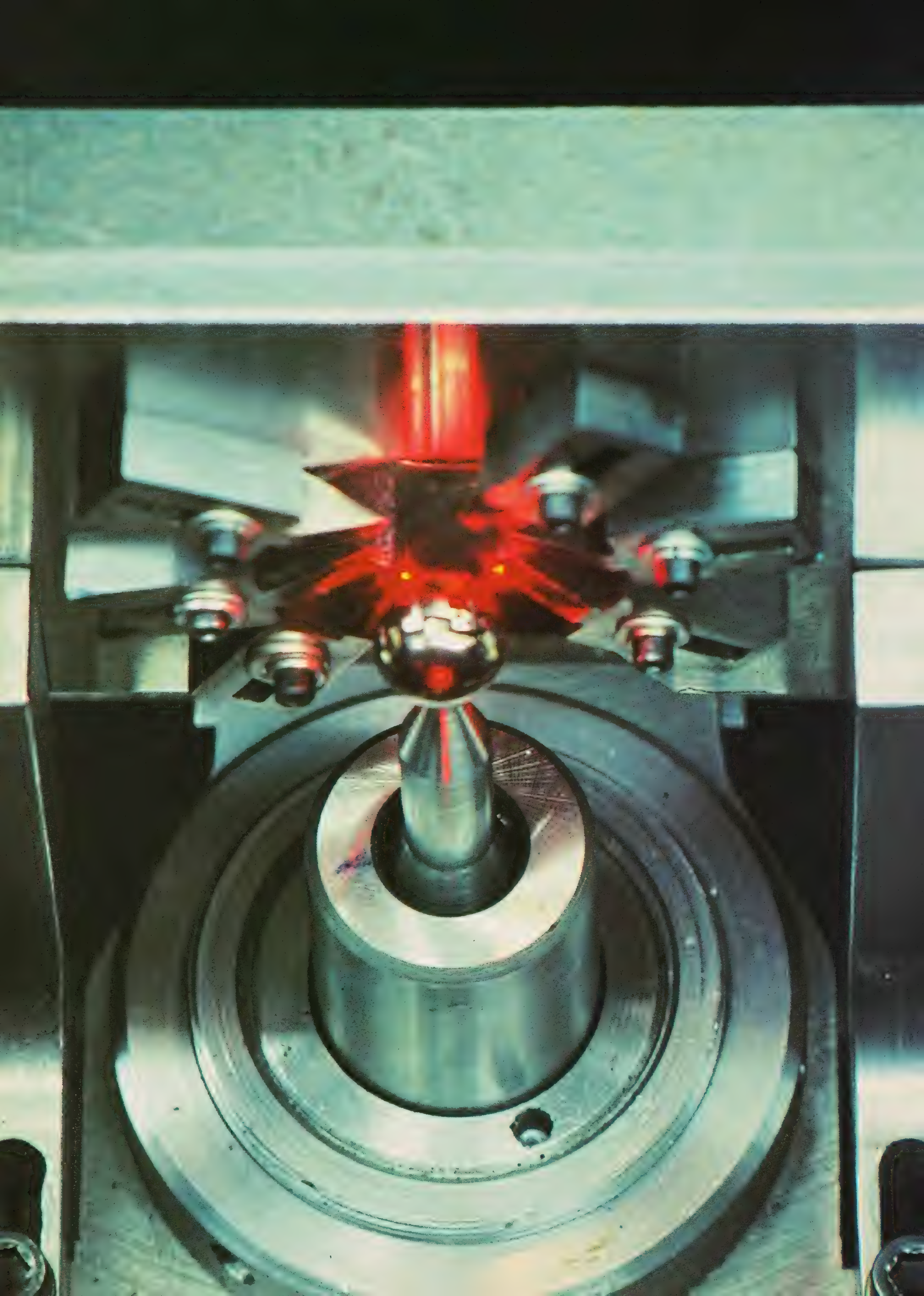
Our universities and community colleges (post secondary trade schools) play a major role. Universities work with industry on research in a broad range of disciplines, then put that research back to industry for implementation. A number of these "technology clusters" have emerged (see chart). Central to each is a first class university actively involved with the private sector. Three other factors characterize the clusters: an educated and entrepreneurial population, a government willing to encourage and support high risk ventures and a plentiful supply of capital. Disciplines include biotechnology, communications and electronics.

Research universities and the private sector have produced: "vicogen", a vaccine for calf scours; a cow heat test for dairy farmers; a DNA probe assay to detect viral contaminants in seed potato; downstream processing and separation technology; a water immersion vaccine for fish; encapsulation technology for insulin-producing cells.

In biomedical research, they have produced: a non-oxydizing tendon pin for the replacement of human joints; identification of the gene group causing cystic fibrosis; carbohydrate-based reagents for blood typing; a technique to isolate and purify enzymes used in medical diagnostic test kits.

Some Canadian Inventions

Insulin; the first commercial alternating-current radio tube; Pablum; the self-propelled combine harvester; the heart pace-maker; the telephone; the paint roller; acetylene; the cobalt cancer treatment; automatic 5-pin setting machine for bowling; instant mashed potato flakes; the Laser sailboat; carbide; the blood vessel stapler; the snowmobile; degradable plastic; short take-off and landing aircraft ("STOL"); the Slick Licker for cleaning oil spills at sea; the continuous pour concrete technique.



Technological innovation

Other medical advances include the discovery of insulin, Cobalt cancer treatment and the development of the electron microscope.

There are major R&D centres on or near many university campuses. At some, an especially innovative development is taking place: "the business incubator". These provide entrepreneurs with space, telephones and access to professional services at reduced rates. In Western Canada, there's a multi-tenant research facility near the British Columbia Institute of Technology, housing some 50 companies. The Calgary Research and Development Authority combines space for the Alberta Research Council with space for 20 firms. In Ontario, Innovation Place is sponsored by the University of Waterloo; 30 firms have graduated in three years (only two have failed). On the east coast, the Technical University of Nova Scotia (TUNS) is a clearing house for technology related to computer-aided design and computer-aided manufacturing. TUNS is made up of 90 representatives from industry, government, universities and R&D centres from across Canada.

Canada's stock of natural scientists and engineers increased by 70% (1971 to 1983). We now have over 515,000 scientists, engineers and technologists on the job. In 1982 alone, our community colleges turned out 49,994 diploma graduates in data processing, computer science, engineering, chemical technology, financial management, electrical and electronic technology and architecture.

Universities, colleges, technology clusters and business incubators

Selected technology cluster areas in Canada

CITY	Institution	Research	Key Facts
Vancouver, British Columbia	University of British Columbia, British Columbia Institute of Technology, B.C. Research, Forintek, Pulp and Paper Research Institute of Canada	all forms of technical research for pulp and paper innovation to nuclear acceleration and brain scans	TRIUMF nuclear accelerator —brain imaging research facility
Calgary, Alberta	Calgary Chamber of Commerce, University of Calgary, City of Calgary, Honeywell, Digital, Alta-Can Telecom Inc.	industrial innovation and development e.g. seismic technology	—150 high-tech firms and one-seventh of the world's seismic industry
Toronto, Ontario	Ryerson Polytechnical Institute, Northern Telecom, IBM, Hewlett Packard	advanced technology education for businesses, ranging from the use of robotics to the application of lasers and fibre optics	—conducts seminars in computer-integrated manufacturing (CIM) and photonics (application of lasers and fibre optics) —fully simulated CIM environment —North America's first ASEA-1000 six-axis industrial robot
	University of Toronto, Bell Canada, Bell-Northern Research, Northern Telecom, IBM, Ontario Hydro, Spar Aerospace, Esso Research, Pratt & Whitney	integrated circuit design, software development for flexible manufacturing systems, robotics, research on digital switching systems, and metal fatigue research	
	Sheridan Park Research Centre, Ontario Research Foundation, Xerox Canada	R&D of products, environmental R&D	—total value of present development: over Cdn$100 million —total annual expenditures: Cdn$445 million
Kitchener-Waterloo, Ontario	University of Waterloo, Hewlett Packard, IBM and Digital Equipment	advanced technical research in most forms of industry at the Research Industrial Park	—chosen to design data-base version of Oxford English dictionary
Ottawa, Ontario	Bell-Northern Research, Northern Telecom, Gandalf, Cognos, Mitel, Carleton University, Ottawa University, the National Research Council and other federal government laboratories	telecommunications, micro-electronics	—more than 400 advanced technology firms
Montreal, Quebec	National Research Council, Xerox, Labatts, McGill University, Domtar, SNC, Zenon, Lavelin, Laval University, Alcan	biochemical and genetic engineering, molecular immunology, cell fusion, sectoral research	—when completed in 1986, will employ 220 scientists and accommodate 80 guest workers from industry —one of the largest dedicated biotechnical research institutes in the world

Immense distances and rugged terrain have made us masters of transport and communications.

Canada has a superb network of airports, railways, deep-water ports and multi-lane highways. Every region in the country is served.

There are two transcontinental railroads fed by more than 20 regional systems. Every urban centre in the country is connected by freight rail service through 95 000 km (59,000 mi) of track. In turn, this service connects to the eastern, mid-west and west coast rail networks of the US. Shipped by rail, 1983: 221 million tonnes.

In 1983, Canada's trucks moved 196.3 million tonnes of freight over 271 000 km (168,000 mi) of inter-city highways; all integrated with the US. Some 28% of these are two or four-lane limited access freeways designed for high speed delivery.

There are 25 major deep-water ports and some 650 smaller ports. In terms of international trade tonnage, Vancouver is Canada's largest: 49.7 million tonnes. This traffic is growing rapidly as our bulk commodity trade to Pacific Rim countries increases.

The St. Lawrence Seaway is a 3 747 km (2,328 mi) system of deep-water canals and natural water connecting such mid-America centres as Chicago and Toronto directly to the Atlantic Ocean. There are 25 deep-water ports serving both oceans. Loaded and unloaded in 1983: 178.4 million tonnes.

Canada has over 1,600 airports, 11 of which are international: Vancouver, Victoria, Calgary, Edmonton, Gander, Halifax, Mirabel, Montreal, Ottawa, Toronto and Winnipeg. Four major domestic carriers (Wardair, Air Canada, Canadian Pacific Airlines and Pacific Western) fly to all the principal cities of Canada and the world. There are more than 250 airports in remote regions (north of 60°) serviced by commercial carriers.

Canada's telephone system is enormous, consisting of some 120 separate networks bound into one. It is unquestionably one of the finest systems in existence today.

Both microwave and satellite communication systems operate; what's more, these diverse technologies are united into one common network. This advanced, working technology is being used by other countries: the United States, France and Saudi Arabia, for example.

Radio devices are widespread, ranging from the simple paging apparatus to mobile radios. New cellular phones mean that the international telephone network is instantly available from practically anywhere.

We are at the forefront of voice, text and data facilities. There is a sophisticated infrastructure for high speed, high quality digital data transmission. (Northern Telecom sells more digital switches than any other firm in the world.) We are also the world leader in videotex and fibre optics technology. (Domestically developed Telidon is the videotex standard for North America.)

For secure, cheap energy and raw materials, Canada ranks number one in the world (EMF, 1985).

Canada is virtually self-sufficient in all forms of energy. What's more, prices are stable.

As for raw materials, of the top seven Western industrialized nations, only Canada and the US are self-sufficient. Even so, our trade surplus in those materials is almost 15 times that of the US.

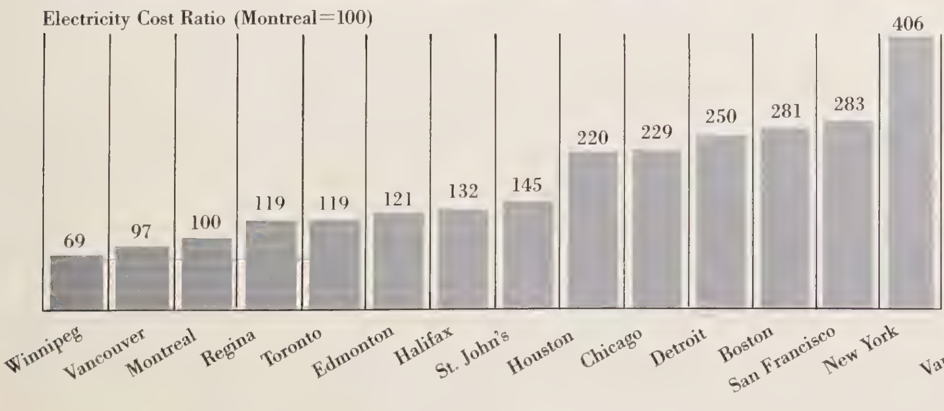
As a direct result of recent positive initiatives taken by the government, activity in the energy sector has increased markedly. In the first half of 1985, drilling in Canada was up by 13% over the same period in 1984. Petroleum and gas well outlays are slated to rise by 27%, from Cdn$7.2 billion to Cdn$9.1 billion.

Canada's energy reserves are enormous: tar sands and bitumen deposits rival Middle Eastern oil reserves. Energy supplies in oil, natural gas, coal and hydro electricity far exceed domestic demand. As a result, Canada is a major exporter of energy.

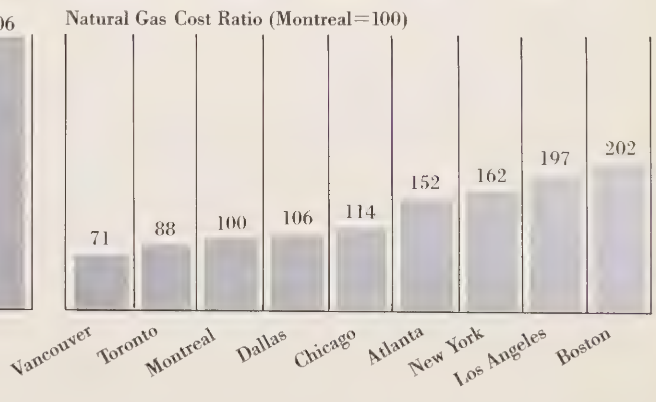
We have the edge in price as well. A 1985 study of industrial users showed that the rates in Toronto, Montreal and Vancouver were over 75% lower than New York City; over 50% lower than San Francisco, Chicago and Houston (see chart).

Canada is rich in natural gas supplies and has a widespread distribution network. Thus the cost of this energy is also significantly lower here than in the US. Average 1984 cost in Canada: Cdn$3.62 per million BTU for industrial users; in the US: Cdn$5.96. (Large companies such as ENI, Air Liquide and Gould Inc., have located in Canada to take advantage of our energy costs and security of supply.)

Comparative cost of electricity Canada vs US 1985



Comparative cost of natural gas Canada vs US 1984



Source: Montreal Urban Community Department of Economic Expansion

A sophisticated and expanding workforce: between 1972 and 1982, Canada's university graduates increased from 72,000 to 87,000.

Community colleges are a special Canadian institution, training highly skilled workers in such post-secondary degree courses as precision soldering, computer-aided drafting, fluid power robotics and business management. Over 70,000 graduated in 1982, a 47% increase in ten years. This demonstrates (1) the determination of the educational system to provide high-level industrial skills training, and (2) an equal determination on the part of our young people to take advantage of it.

In fact, Canada's universal public education system and network of over 300 universities and colleges have produced a highly educated workforce. Over 50% of our 12.4 million workers are high school graduates. One in five has a university or community college degree.

There's been an impressive change in our work performance. In the past four years, time lost due to work stoppage dropped by 57%. As a percentage of total work days, time lost was reduced to 0.16%, significantly less than time lost to illness and accident.

Of equal significance: most of the time lost was often confined to relatively few strikes. For example, in the manufacturing sector in 1984, ten of the total 147 strikes in the country accounted for over half the downtime.

Canada is ranked fifth in the world for human resources among the industrialized nations (EMF: 1985). Indeed, we have one of the highest ratios of scientists and engineers among the OECD countries. There are some 515,000 of them working in a variety of sectors.

Productivity is up,
Labour costs are down
(Manufacturing: 1984)

Output per man hour up 4.7%
Unit labour costs down 2.3%

Scientists, Engineers & Technologists (by industry, 1983)

	No.	%
Agriculture		
Other Primary	29,000	5.6
Manufacturing	89,000	17.3
Construction	7,000	1.4
Transportation	48,000	9.3
Trade	15,000	2.9
Finance	15,000	2.9
Services	211,000	41.0
Public Administration	95,000	18.5
Unclassified	6,000	1.2
Total	515,000	100.0

*Less than 500.

Source: Statistics Canada, Science and Technology Indicators 1984.

Our labour costs are lower than those in the US, particularly when industrial heartlands are compared. For example, in August 1985, the average hourly wage (manufacturing) in the Canadian province of Ontario was Cdn$11.59; in Quebec, Cdn$10.91. Compare that to Cdn$17.04 in Michigan and Cdn$15.28 in Ohio (see chart).

In addition to this obvious difference (in part caused by the exchange rate) there are hidden differences to consider. Canada's universal, pre-paid health care and pension plan reduce labour benefit costs even further.

Time lost to work stoppage

Industry	1980	1981	1982	1983	1984	% of estimated working time, 1984 (%)
Primary	1152	938	272	196	47	.07
Manufacturing	3137	4644	1691	1385	2356	.49
Construction	1107	43	2200	244	213	.18
Transportation & Utilities	729	1514	566	275	550	.27
Trade, Finance & Services	2150	1021	636	2032	635	.03
Public Administration	700	717	251	312	71	.04
TOTAL TIME LOST	8975	8877	5616	4444	3872	.16

Source: Labour Canada, Strikes and Lockouts in Canada

Total cost to employer* in four professions: '000 Cdn dollars (1984)

	Montreal	Toronto	Vancouver	Chicago	Los Angeles	New York
Machinist	33,040	32,258	35,649	48,776	44,536	44,855
Production Manager	55,460	51,612	58,483	62,827	60,047	67,526
Electrical Engineer	42,280	43,401	47,183	57,193	59,390	53,986
Secretary	23,541	22,815	24,931	30,901	32,409	30,335

Source: Decision Montreal.
*Total cost to employer includes the gross salary paid to the employee and all the social costs the employer must pay.

Comparative hourly wages: US and Canada (manufacturing, August, 1985)

	(Cdn$)
Ontario	11.59
Quebec	10.91
Ohio	15.28
Michigan	17.04
Pennsylvania	12.93
New York	13.01

US$=Cdn$1.357 as of August, 1985
Source: US Department of Labor

Average hourly wage across Canada, August 1985 — Cdn$

	Forestry	Mining	Manufacturing	Construction	Transportation	Trade	Finance	Commerce	Services
Newfoundland	13.54	15.63	9.70	9.96	10.82	6.48	7.31	7.65	7.88
PEI			7.35	8.47	11.60	5.78	6.53	4.90	6.68
Nova Scotia	8.89	12.12	9.89	10.39	11.32	6.57	6.94	7.49	7.96
New Brunswick	11.39	14.13	10.33	10.51	11.45	6.67	7.66	8.21	8.32
Quebec	12.36	14.41	10.91	14.76	13.69	7.60	8.55	8.89	9.00
Ontario	15.27	14.82	11.59	13.05	13.14	7.62	7.83	8.34	8.68
Manitoba	13.49	15.19	9.94	11.84	12.49	7.91	7.50	8.47	9.18
Saskatchewan	11.78	14.81	11.56	11.22	13.41	8.06	7.79	9.20	9.25
Alberta	11.11	15.69	12.43	13.12	13.06	8.58	9.03	8.91	9.49
B.C.	17.66	18.01	15.00	17.42	15.26	9.61	8.10	9.83	10.75
Yukon	—	—	—	—	14.48	10.90	n.a.	7.40	10.62
NWT	—	—	—	—	14.03	7.90	10.42	9.73	10.33
Canada	14.66	15.39	11.58	13.52	13.34	7.88	8.10	8.72	9.09

Source: Statscan, Employment earnings and hours, August, 1985

According to the EMF, Canada leads West Germany, France and Japan in availability of risk capital.

Canada's banking and financial system is competitive, active and growing.

Our six largest chartered banks rank among the top 60 in the world. In the fourth quarter of 1985, the net income from our top ten banks reached Cdn$567 million, an increase of 28% over 1984.

There is an enormous network of bank branches: over 7,400 across the country (plus some 300 offices in over 40 countries). Customers have access to a wide range of services to and from virtually any point in the world. These include savings and chequing accounts, deposit receipts, personal and commercial loans, bankers' acceptances, currency trading and both off-shore and domestic market information.

Fifty-eight of the top foreign banks have active operations here. Thus, international investors can deal directly through their own financial institutions.

There is a highly developed capital market: mortgage, loan and trust companies, venture capital companies and credit unions, sales finance and insurance companies, pension funds and securities firms.

There are two principal federal government sources of finance: the Federal Business Development Bank and the Export Development Corporation.

The FBDB principally serves small and mid-size businesses with loans, loan guarantees and financial planning, investment banking, and management services. In 1985, the FBDB loaned over Cdn$527 million.

The EDC helps business through insurance, loan guarantees and export financing. Any business in Canada can use these services, provided the export transaction is sound and the material has a 60% Canadian content. In 1984, EDC supported export transactions with Cdn$4.23 billion.

There are five stock exchanges: Montreal, Vancouver, Calgary, Winnipeg and Toronto. In 1984, they had a combined trading value of Cdn$20.2 billion. There are commodity exchanges in both Winnipeg and Toronto.

From 1982 to mid-1985, the Toronto Stock Exchange out-performed both the London and New York exchanges. By mid-1985, the TSE composite index was 70.8% higher than the year before. In that same period, the Dow Jones industrial composite was up 62.3%, the London Exchange Index was up 69.7%.

Canada has no foreign exchange controls: all profits, dividends or royalties can be remitted at will.

Exchange Rates: 1980-85

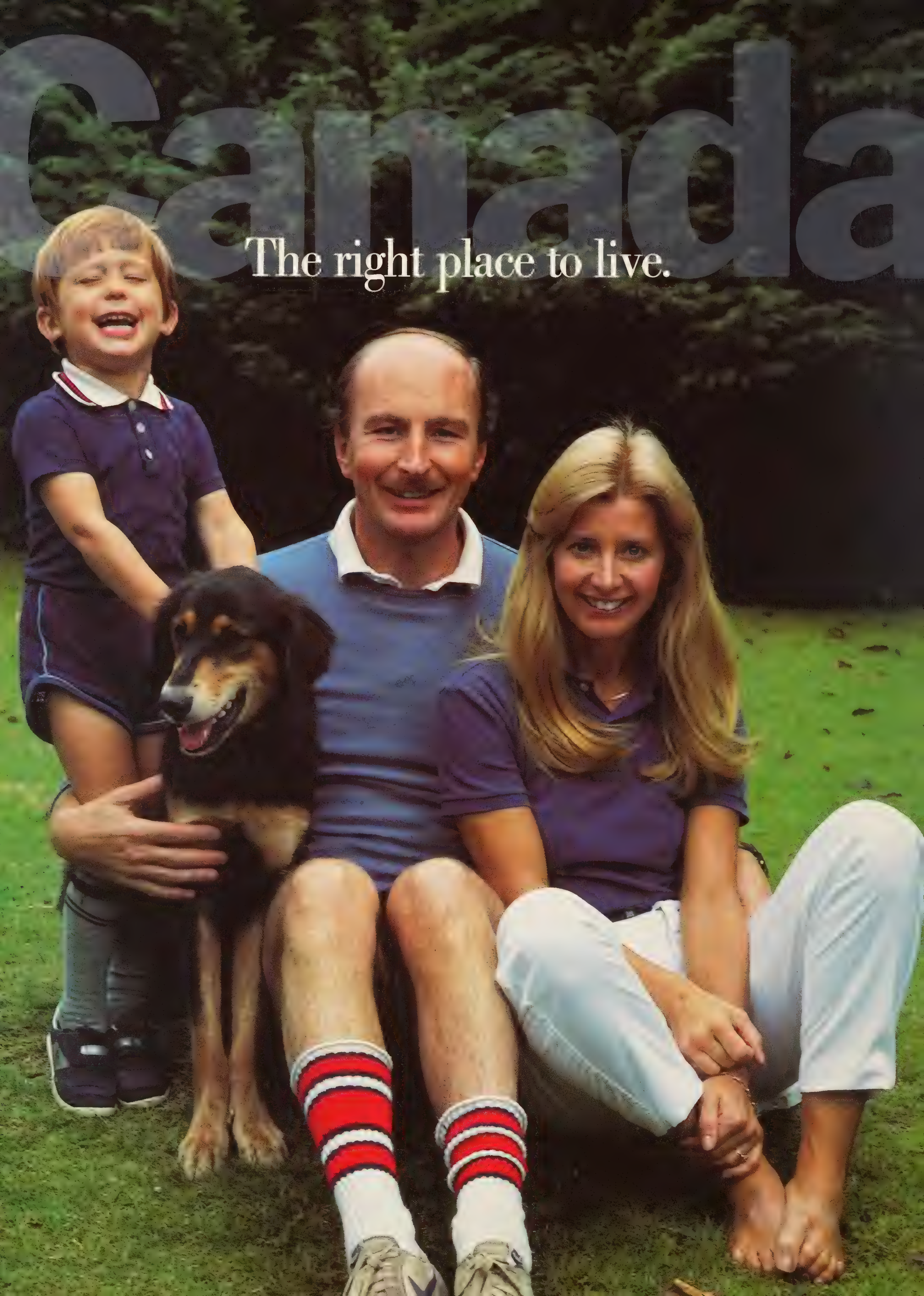
	Paid per Cdn$					
Year	US Dollar	British Pound	French Franc	German Mark	Swiss Franc	Japanese Yen
1980	0.855	0.368	3.609	1.552	1.431	192.9
1981	0.834	0.412	4.335	1.880	1.633	183.5
1982	0.810	0.463	5.305	1.966	1.642	201.4
1983	0.811	0.535	6.158	2.069	1.703	192.7
1984	0.772	0.578	6.725	2.191	1.809	183.2
1985	0.732	0.565	6.523	2.138	1.781	173.4

Source: Bank of Canada Review

Largest Canadian Banks, ranked by assets (September, 1985)

Bank	Assets (Cdn$billion)
Royal Bank	95.52
Bank of Montreal	83.35
Imperial Bank of Commerce	76.44
Bank of Nova Scotia	60.80
Toronto-Dominion Bank	51.10
National Bank	21.79

Source: Canadian Bankers Association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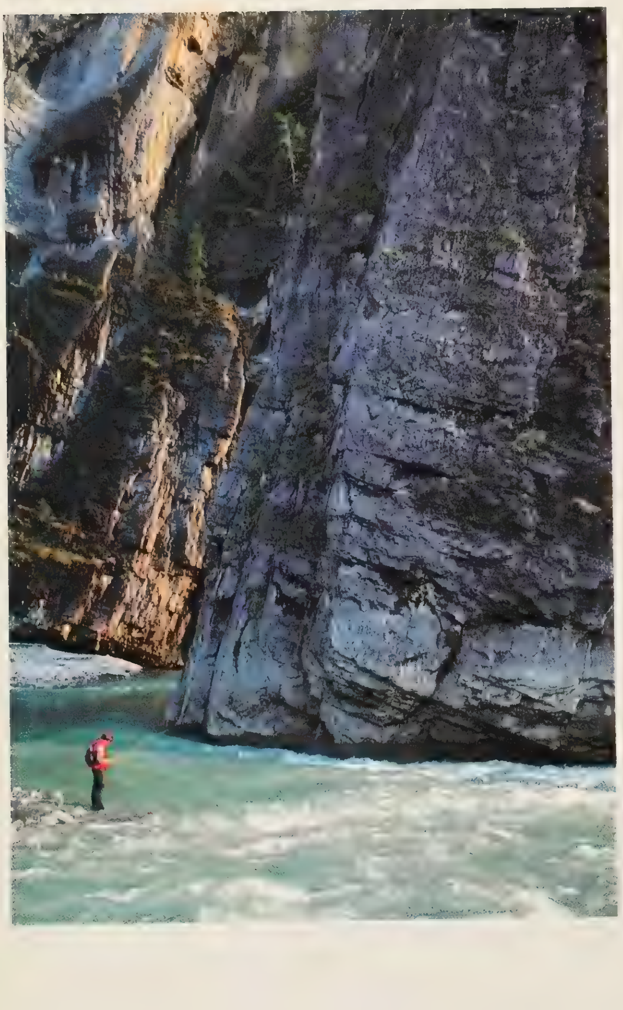
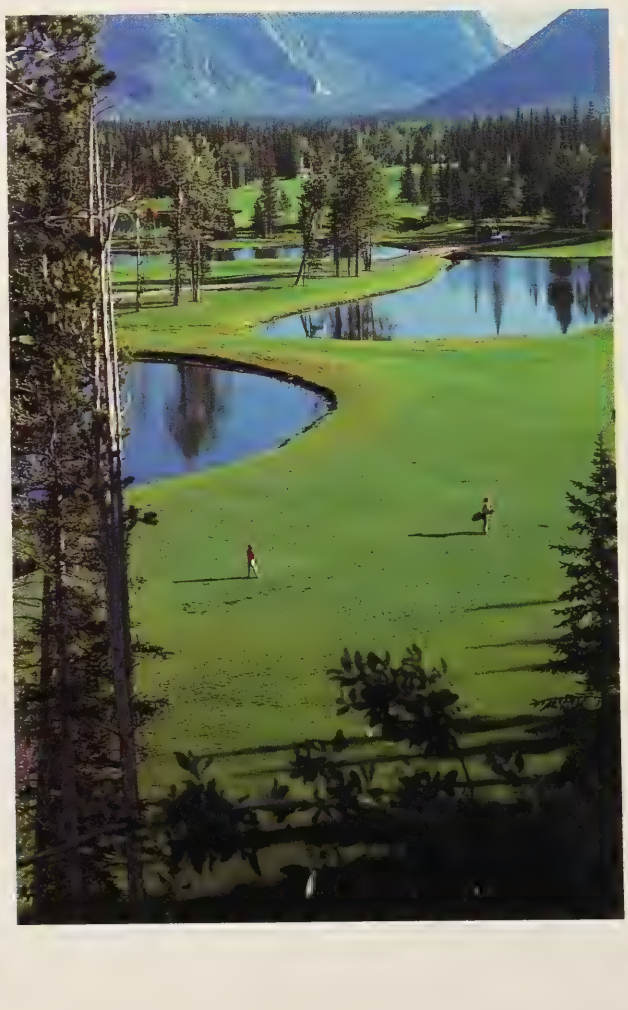

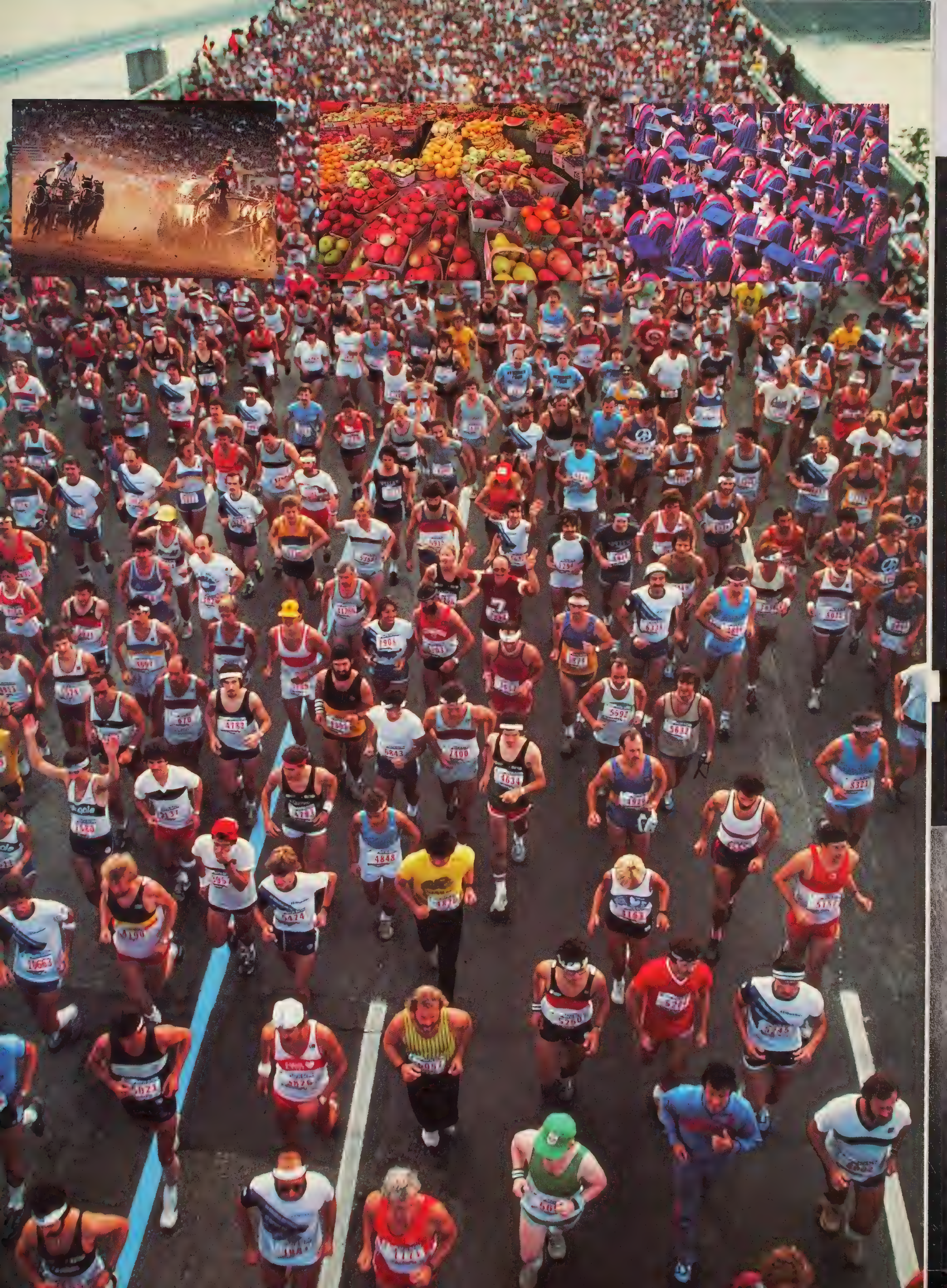


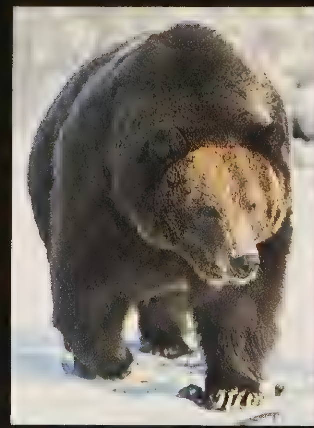


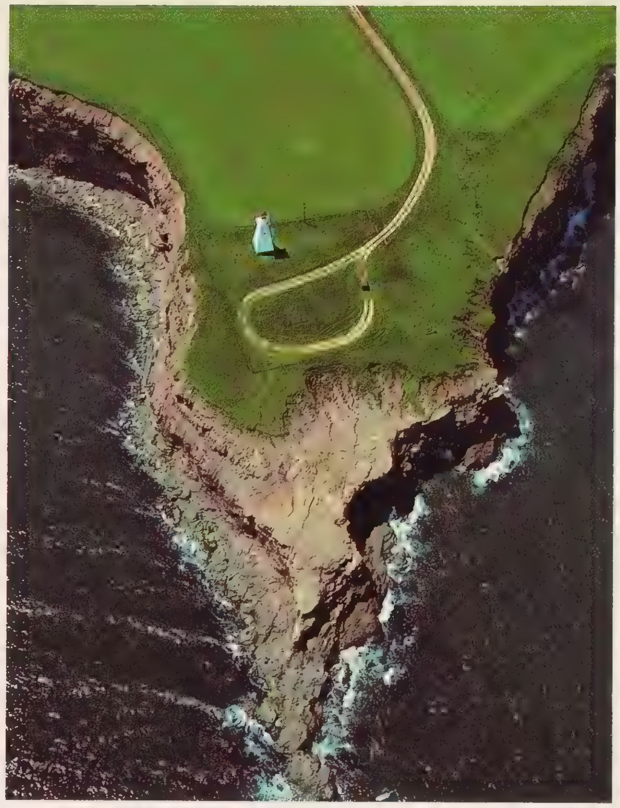





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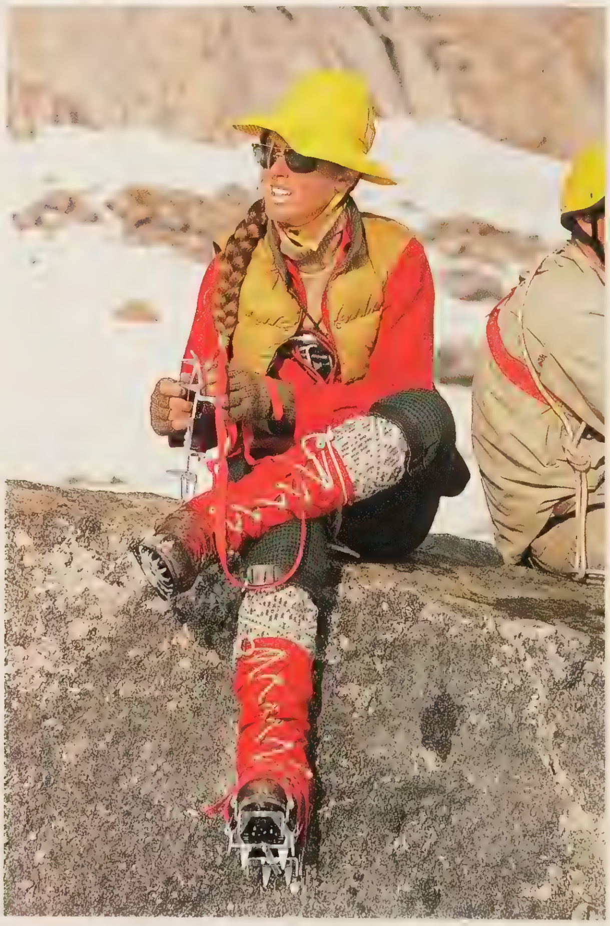

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Federal tax and financial incentives

Update

Material Reviewed as of

March 1, 1986

Material Reviewed as of

March 1, 1986

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TAXATION

General

The federal government collects tax in the form of income tax, indirect sales and excise taxes as well as custom duties. The provincial governments impose income and retail sales tax and royalties on natural resources. At the municipal level, there are property and school taxes. The federal government collects and administers federal and provincial income tax. The only exception is the province of Quebec, which has not entered into a tax collection agreement with the federal government, and thus is responsible for collecting and administering its own personal and corporate income taxes. Alberta and Ontario administer and collect their own corporate income tax.

Corporate Taxation

In general, all corporations resident in Canada are subject to income tax, which is levied upon income earned within the taxation year from all sources world-wide. The taxation year of any corporation corresponds directly to the fiscal period for which its annual financial statements are prepared. The basic tax rate is 46 percent on the taxable income (which includes taxable capital gains, business income and other forms of investment income) of corporations, less a 10 percent abatement for provincial taxes. Proposals in the February 1986 budget call for phased-in reductions of 2 - 4 percent (depending on the type of business) in the basic tax rate to 1989. Several deductions reduce the amount of taxable income and the rate at which it is taxed. Most firms pay taxes at rates below the basic rate. For example, manufacturing businesses receive a 6 percent reduction in the basic rate; small businesses receive further reductions of 20 percent if engaged in manufacturing and 21 percent if in other sectors. The May 1985 budget imposed a temporary 5 percent surtax on large businesses, which was due to expire on June 30, 1986. In the February 1986 budget, this was extended to the end of 1986, at which time a 3 percent temporary surtax will be in effect for businesses of all sizes.

Payment of Income Tax

A corporation is obliged to pay its income tax by monthly installments over a 14-month period; the first is due on or before the last day of the first month of the corporation's taxation year. A new corporation is not required to pay monthly installments until after its first year of operations.

Corporate Tax Deductions

General - any reasonable expenditure incurred to produce income is deductible without limit, including entertainment expenses, directors' bonuses, and interest on money borrowed for investment purposes

Federal Tax Abatement - reduces the basic federal tax rate by 10 percent in respect of income earned in the provinces and territories (No abatement is allowed on income earned outside Canada or in the Nova Scotia offshore area, as no provincial tax is paid on such income.)

Dividends - which are received from Canadian taxable corporations are allowed to be deducted in full, thereby avoiding double taxation of corporate income at the corporate levels

Capital Gains - only half of which, net of capital losses, is taxed

Interest Expense - any interest expense incurred in the process of earning business or property income, or for the purchase of an income producing asset, if fully deductible

Bad Debts - in the case of doubtful accounts receivable, a reasonable reserve may be claimed for those debts which are unlikely to be collected (Once a debt is known to be bad, it must be written off. Any recovery on a bad debt that has been written off is included in income in the year of receipt.)

Losses - the following are allowable deductions in determining taxable income: non-capital losses; net capital losses; farm losses; and restricted farm losses.

Type of Loss	Carried Back	Forward
Non-capital	three years	seven years
Net capital	three years	indefinite
Farm	three years	10 years
Restricted Farm	three years	10 years

Allowable Business Investment Loss - is a special provision whereby one-half of any capital losses incurred on the disposal of shares or certain debts of a Canadian-Controlled Private Corporation (CCPC) by a person or corporation with whom the CCPC was dealing at arm's length, may be written off against any income (This deduction is used when the person or corporation has no capital gains during the taxation year to which the capital loss could be applied.)

Other Relevant Factors

A number of other taxes, such as property taxes, business taxes, licenses, and land transfer taxes, may be levied by government. Investors should consult with the appropriate authorities for full information on the applicability, rates, and frequency of these taxes.

All employers are required to make contributions on behalf of their employees to the Canada or Quebec Pension Plan and to the Unemployment Insurance Plan. These contributions must be made at the prescribed rates by employers and employees. Contributions to provincial workers' compensation boards are also obligatory in most businesses.

Transfer Pricing/Reorganization

Transactions between taxpayers who do not deal at arm's length must take place at fair market value. Several exceptions are provided to facilitate various corporate reorganizations, including transfers of assets to corporations under qualifying circumstances, certain capital reorganizations, mergers and liquidations. These rules ensure that assets are considered to be transferred at their cost for tax purposes, thereby postponing the tax that would be payable if the assets were considered to be transferred at their fair market value.

Provincial Tax

The provinces and territories impose a corporate income tax in addition to the federal tax. (Canadian federal tax rates are reduced by 10 percent to make provision for provincial taxation.) Provincial tax is calculated by allocating taxable income to the provinces in which a corporation has a permanent establishment. The allocation is usually made on the basis of the average ratio of revenues and salaries attributable to each province to total revenues and salaries attributable to all provinces. The appropriate provincial tax rate is then applied to the resulting amount of taxable income in order to determine the provincial tax payable. Provincial tax rates varied from 5.5 to 16 percent for the 1985 taxation year, and certain provinces reduce these rates for Canadian Controlled Private Corporations (CCPCs) eligible for the small business deduction.

TAXATION OF NON-RESIDENT CORPORATIONS AND INDIVIDUALS

International Agreements

Canada has entered into tax treaties with other countries to prevent double taxation on the same income and tax evasion. The provinces are not party to the formal tax treaties, but normally adhere to the provisions of the treaties.

Withholding Tax

In the case of a non-resident, a withholding tax is applied to payments of dividends and interest, salaries, bonuses, commissions or other amounts for services rendered as well as payments of pension benefits and retiring allowances. The statutory rate of Canadian withholding tax to non-residents is 25 percent. This is generally reduced to 15 percent by Canadian tax treaties. Certain types of income, such as interest on government bonds and certain corporate bonds, are exempt from the withholding tax.

Management fees paid by a Canadian company to a non-resident head office are subject to withholding tax at normal rates. However, where the charge is for a specific cost or service, or for indirect expenses that can reasonably be considered as having been incurred on behalf of the Canadian company, there is no withholding tax. The purpose of this tax is to prevent the repatriation of profits by means of management fees. The tax authorities will seek to disallow any excessive charges, as well as to impose the withholding tax.

Non-Resident Corporation

A non-resident corporation is subject to tax only on the income the business earns in Canada, and on the gains from the sale or disposition of a Canadian taxable property. The tax is computed on the same basis and at the same rates as a resident corporation, except that it would not be eligible for certain deductions (i.e. the small business deduction).

Non-Resident Branch Operations

The taxable income of a branch is considered as though the branch were a non-Canadian controlled subsidiary carrying on business in Canada. There is an additional tax applied to non-resident branch operations of 25 percent, but this rate may be limited by treaty.

Non-Resident Member of a Partnership

A non-resident partner is subject to tax on his share of the partnership's income which was derived from business activity carried out in Canada. A non-resident partner is also subject to the additional tax of 25 percent as in the case of a non-resident branch. If the partnership's income includes amounts earned outside Canada, the non-resident partner could exclude his portion of such income from his Canadian taxable income.

Non-Resident Owned Investment Corporations

Holding companies, which are wholly foreign owned and derive their income from the ownership of securities, are subject to a special tax rate of 25 percent. Taxable dividends paid are subject to a 25 percent withholding tax (usually reduced by treaty), but the payment of dividends allows for a refund of the tax paid by such a corporation.

Non-Resident Individual

Income derived in Canada by the non-resident is subject to the tax in the same manner, and at the same rate, as a resident. Tax treaties generally exclude the taxation of non-residents, but exemptions are not applicable where the individual becomes a resident of Canada (whether or not he remains a non-Canadian resident in another country). The individual is considered a resident, subject to Canadian taxation laws, after remaining in Canada for 183 days during the taxation year.

In addition to income earned in Canada, non-residents are subject to a 25 percent withholding tax, which may be reduced by treaty, on amounts paid or credited to them by residents of Canada.

COMPARATIVE CORPORATE TAX TREATMENT CANADA/U.S.

In general, the corporate tax structures of Canada and the U.S. are similar in many respects. The main differences are highlighted below.

Rates of Taxation (U.S. -1985)

Taxable ($)	Tax Rate ($)
0 - 25,000	15
25,000 - 50,000	18
50,000 - 75,000	30
75,000 -100,000	40
100,000+	46

An additional tax of 5 percent (up to a maximum of $20,250 tax payable) is levied on taxable income over $1 million).

The U.S. does not provide an abatement for state income taxes paid, but it allows a deduction of state and municipal taxes paid from taxable income. Rates at the state level vary from 0 to 10.5 percent. Also, the U.S. does not provide a lower rate for manufacturing and processing corporations.

In Canada, the basic federal corporate tax rate is 46 percent, with a 10 percent tax abatement for provincial taxes. Rates at the provincial level vary from 5.5 to 16 percent. In addition, manufacturing and processing corporations receive a six percent deduction (five percent for a corporation claiming a small business deduction) on basic federal taxes. Simply stated, a large manufacturing corporation is subject to a 30 percent (after provincial abatement) basic federal tax rate. The February 1986 budget proposes a phased-in reduction of the post-abatement basic federal rate of between two and 4 percent.

Treatment of Inventories

The treatment of inventories in each country is related to the accounting method allowed. The U.S. provides an option, which allows corporations to use the LIFO method of valuing inventories for tax purposes, if they use LIFO for financial purposes. LIFO evaluates inventories at the cost of the last item; it compensates for inflation in a rough manner, as inventories are valued at replacement cost. This results, during an inflationary period, in a lower net income for tax purposes than if an average cost, or the first-in-first-out (FIFO) method of evaluating inventories had been used. LIFO is not acceptable for Canadian tax purposes.

Treatment of Losses

In recent years, the U.S. and Canada have increased the carry-over periods for applying business and capital losses incurred in one year against taxable income of other years. In the U.S., business losses can be carried back three years and forward 15 years (rather than the previous three back and seven forward). In Canada, business losses are allowed a three year carry-back and a seven year carry forward

Intercorporate Dividends

Canadian corporations are allowed a 100 percent deduction from income for any dividends received from Canadian taxable corporations, as well as from non-Canadian affiliates in which the corporations' equity percentage is not less than 10 percent. The U.S. allows an 85 percent deduction in the case of dividends received from non-affiliated corporations; dividends from affiliated corporations are deductible in full. Dividends received from a foreign corporation are only allowed a deduction if the foreign corporation does significant business in the U.S.

Capital Gains at Corporation Level

In the U.S., long-term capital gains, which are not reduced by short-term or long-term capital losses, qualify for preferential treatment. There are certain devices which reduce the maximum income tax rate on capital gains to 28 percent. Long-term capital gains are preferable to ordinary income, because the capital gains are subject to a rate of tax at least as favourable, if not lower, than that levied on ordinary income.

In Canada, only 50 percent of any capital gain is taxed; consequently, effective tax rates on capital gains for small business are about 10 to 12.5 percent, and about 20 to 25 percent for larger corporations.

Integration of Corporate and Personal Taxes

The U.S. does not provide any measures for the individual shareholder to compensate for corporate taxes paid. However, for small businessmen and women wishing to avoid double taxation, the U.S. provides an option in cases where corporations with no more than 35 non-corporate shareholders may elect to be taxed in a manner similar to partnerships, and consequently pay no corporate taxes. This option eliminates the deferral benefit on income retained in a corporation.

In Canada, the tax system for the individual recognizes, through the dividend gross-up and credit mechanism, corporate taxes paid on dividend income received from Canadian corporations. The dividend tax credit is intended to relieve double taxation, and achieves integration for shareholders of small business.

INDIVIDUAL TAXATION

For taxation purposes, an individual who, during the taxation year resided 183 days or more in Canada, is considered a Canadian resident. The income of a Canadian resident includes world-wide income from employment, business, property, capital gains (net of losses) and other sources. Generally, the taxation year for an individual is the calendar year, but if the individual is self-employed or a member of a partnership, the taxation year can be the fiscal year of the business.

Taxable Income

Income can be derived from employment, business property and capital gains.

Employment income	Income from employment, including salary, wages, commissions, gratuities, director's fees, and other remuneration received by an individual.
Business income	Income from an unincorporated business or from a partnership (an individual's net business income is determined in the same manner as the net business income of a corporation. As for a partnership, the individual calculates his share of the net income of the partnership).
Property income	An individual's net income from property in the form of interest, dividends, rents and royalties is generally calculated in the same way as property income of a corporation.
Capital gains	Capital gains are calculated in the same manner for an individual and a corporation (one-half of the capital gains, net of capital losses, realized in a taxation year must be reported in the individual's yearly tax return). Legislation has been enacted whereby individuals be allowed a cumulative tax exemption for capital gains up to a lifetime limit of $500,000 (Cdn) for gains realized after 1984. The exemption will be phased in by 1990.

Payment of Income Tax

The employer of the individual is required to deduct federal and provincial income taxes on salaries and wages at source. If the individual is self-employed, or if he earns substantial amounts of income from sources other than salary and wages, the individual is required to make quarterly tax installments during the year.

Business Investment Tax Credit varies in different regions and for different types of investment. The current basic rate is seven or ten percent, but can reach 20 percent in special regions (60 percent in Cape Breton). This deduction is available for manufacturing plants, as well as for machinery and equipment. Any unused credits may be carried back three years or forward seven years. The February 1986 budget proposes that over the next three years, the seven and ten percent rates will be phased out.

Small Business Deduction is available to a Canadian controlled private corporation, and reduces the federal tax rate on the first $200,000 of business income from an active business by 20 or 21 percent, depending on the type of business.

Capital Cost Allowance (Depreciation) is available on all depreciable assets which are grouped into some 35 broad classes. Assets are depreciated, in each class, on a straight line or declining balance basis. The rates of capital cost allowance range from four to 100 percent, but for such common items as automobiles, trucks, computers, film and certain mining and logging equipment, the rate is 30 percent. Buildings are depreciated at five percent per year. Manufacturing and processing machinery and equipment can be written off over three taxation years.

The Foreign Tax Credit allows a corporation, resident in Canada, a credit against Canadian income tax for taxes paid to foreign governments. The credit is limited to the amount of Canadian tax on the foreign business income before the credit. The Income Tax Act provides for any unused business foreign tax credit to be carried back three years and carried forward seven years.

Manufacturing and processing corporations receive a six percent deduction (5 percent for corporations claiming a small business deduction) on basic federal taxes. Profits from other sources remain subject to the normal tax rate.

Special Tax Credits & Deductions are available for mining, petroleum and logging operations. A limited tax credit is also available for political contributions made during the year. Through various provisions, such as earned depletion, immediate exploration and development expenditure write-off, and accelerated depreciation provisions, essentially no federal tax is incurred by the mining industry before costs are more than fully recovered. The tax system includes a special Capital Cost Allowance incentive class (Class 28) for new mines, which allows capital costs incurred from a new mine to be written off at the greater of; income from the mine, or at 30 percent per year against all income of the corporation.

General Incentives

For investors who are starting or expanding a business in Canada, there are many federal, provincial and municipal incentive programs available that may be of assistance.

Each of the three levels of government recognizes the importance of having adequate financing available at reasonable cost to businesses and have provided a wide range of programs and tax measures to afford access to the necessary funds. In particular, the main types of financial assistance offered by the federal and provincial governments are loan guarantees and insurance, grants and tax advantages.

The federal and provincial governments have many programs to assist businesses in developing markets for their products and services. In particular, the federal departments of External Affairs, Regional Industrial Expansion and Agriculture have a number of programs which assist businesses in their marketing activities. The provinces also have marketing and business development ministries or agencies.

Research and development is vital to Canada's economic development and to maintain an individual business's edge in the marketplace. The federal and provincial governments provide numerous services, tax incentives and support programs to promote research and development. Federal government departments offering assistance in this area are Energy, Mines and Resources; Fisheries and Oceans; Revenue Canada; and Regional Industrial Expansion. Again, the provincial governments also provide incentives to conduct R&D in Canada.

To modernize a business, expand or restructure the scope of operations, there are a number of federal and provincial programs that can be of assistance. In addition, there is a wide range of federal and provincial services and programs to assist employers in obtaining and developing qualified employees. Assistance for occupational training, support for the retraining of workers displaced by technological change, assistance and information on recruiting, employee relations and management development are provided by Labour Canada, the Canadian Employment and Immigration Commission and other government agencies. Provincial programs augment those offered by the federal level of government.

Incentives for Technological Development

The Canadian Government provides support for technological development through a variety of mechanisms, ranging from tax incentives to grants, loans, contracts for goods and services, infrastructure support, and skills training related to advanced technology industries. Canada offers the most generous tax treatment of R&D of all OECD countries, and second only to Singapore in the world.

The R&D incentive programs in Canada are either income tax related, that is, they reduce or defer the amount of income taxes otherwise payable, or take the form of specific government grants covering a portion of research costs incurred. They are all designed, however, to increase the productivity of Canadian industry and to assist in the creation of new technology by encouraging businesses to undertake or increase the level of research and development activities. The incentives are generally not restricted to specific types of projects; rather the business is left to determine the nature of the project it wishes to pursue. Furthermore, these incentives are available not only to large corporations with full-time staff or scientists and expensive and sophisticated research facilities, but also to small- and medium-sized businesses. Further, qualifying businesses with sound innovative projects and without any in-house research facilities can "contract out" the project to universities, research institutes, or other outside organizations; the costs so incurred are generally eligible for grants in the same manner as if the business had carried out the project itself.

The major tax-related incentive for R&D is that 100 percent of current as well as capital expenditures are deductible for the purposes of calculating taxable income. There is no limitation on the amount of expenditures deductible in any one year. In addition, there is an unlimited carry forward provision. Furthermore, a tax credit, applicable to both current and capital expenditures for R&D, is available; a minimum 20 percent tax credit is available, while for some regions of Canada (e.g. the Atlantic Provinces and Gaspé region of Quebec), this credit is set at 30 percent. For current expenditures by small businesses, the R&D tax credit is 35 percent.

Individuals and corporations can invest in R&D ventures through Limited Partnerships to use the available deductions and the investment tax credit against their incomes. Limited partners contribute capital and own an interest in the partnership, but do not participate in management. The limited partner is liable only to the extent of capital contributed.

In the U.S., only current expenditures and not capital expenditures for research and development qualify for a 100 percent write-off. In addition there is a 25 percent credit available for research and development expenditures, which are above the average research and development expenditures of the previous three years. Current expenditures can be deducted in the taxation year, or capitalized and deducted in a pro-rata fashion over a minimum of five years. Capital expenditures in the U.S. are treated in the following way: equipment has to be depreciated over a three year period, and is eligible for a six percent Investment Tax Credit instead of the regular 10 percent; buildings must be depreciated over 18 years, and are not eligible for the Investment Tax Credit.

Incentives for Investment in Cape Breton Island

In order to further encourage investment on Cape Breton Island (Nova Scotia), the May 1985 budget provided new tax initiatives. Projects approved by the Minister of Regional Industrial Expansion will be offered a 60 percent tax credit for the acquisition of new eligible assets to be used on Cape Breton Island. This special tax credit can be carried back three years and carried forward for a 10-year period to offset federal income tax otherwise payable. As a result of this provision, for many projects in Cape Breton, no federal income tax will be payable for 10 to 15 years.

Under the incentive, in addition to manufacturing and processing, sectors such as farming, logging, and other resource-related activities are covered by the new 60 percent credit. In recognition of the special situation in Cape Breton and to enhance the job-creation potential of this measure, additional activities are eligible for approval. These include certain tourism facilities, the technical services-to-business sector, and the provision of central facilities for receiving, storage and distribution.

The February 1986 budget proposes to increase the refundable portion of unused Cape Breton investment tax credits earned in a year from 20 percent to 40 percent for large businesses. Small businesses already receive a 40 percent refund. This increase will benefit taxpayers who cannot make immediate use of the credit to reduce tax. All businesses, regardless of size, will now be assured of receiving 40 percent of any unused tax credit as a refund in the year the credit is earned. The remaining portion of the credit can be carried forward for up to 10 years. This change will be effective for eligible property acquired after May 23, 1985 and before 1989.

Property eligible for the regional investment tax credit such as buildings, machinery and equipment in these sectors are also eligible for this credit as prescribed by Regulations to the Income Tax Act. Expenditures related to certain movable equipment, such as automobiles, trucks, vessels and other transportation equipment do not qualify.

The total capital expenditures projected in respect of depreciable property must be at least $25,000, as of February 26, 1986, down from $50,000, for the project to qualify for the Cape Breton credit. The project requires the approval of the Minister of Regional Industrial Expansion, who will certify that the eligible expenditures are related to the approved project. To qualify, approval of the project will be required before July 1988, with expenditures made after May 23, 1985 and before 1993. The government is prepared to deal immediately with approval of individual projects on the basis of this proposal to ensure that they can proceed in an expeditious manner.

In addition, other forms of assistance are also available on Cape Breton. The Cape Breton Development Corporation (DEVCO) assists the financing and development of industry on the Island, to provide employment outside the coal industry, to broaden the economic base of the area and to contribute to the rehabilitation and modernization of mines in the Sydney coal field. In 1984, DEVCO provided some $11.2 million in assistance, up 40.7 percent from 1983.

The first international trade zone in Canada was established at the Sydport Industrial Park in Cape Breton. This allows companies duty-free imports of materials, parts and components, to manufacture or assemble products in Cape Breton. It also allows companies to manufacture products at lower cost, thus improving their competitiveness for global markets.

These government initiatives make Cape Breton one of the most attractive places to invest in all of North America, potentially reducing actual capital outlays to as little as 16 cents for each dollar of investment.

The Atlantic Enterprise Program

To enhance the rate of private sector job creation in the Atlantic region, including the Gaspé Peninsula, the government is launching this major new initiative. Under the Atlantic Enterprise Program, guarantees of loans totalling up to $1 billion and interest rate buy-downs of up to six percentage points will be made available to stimulate and support productive new private investment in the region.

To avoid duplication with existing federal and provincial programs, the program will be limited to term loans of a minimum of $250,000. The loan guarantee for eligible projects will be set at a maximum of 85 percent of the principal amount of the loan. The program will apply not only to manufacturing and processing, but also complement existing programs in related service sectors, tourism, and primary industries, in recognition of the important role played by these sectors in the Atlantic region's economy.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Capital Projects		
Studies to determine project feasibility, carry out eligible market research and other establishment studies; plant establishment. Also available for modernization or expansion.	IRDP-Industrial Regional Development Program.	Contributes between 30 and 37.5 percent of costs for studies and between 17 and 25 percent for plant establishment. Also provides between 30 and 37.5 percent funding for the installation of micro-electronics in production processes and products.
Establishment of manufacturers and processors in Atlantic and Gaspé regions. Program also complements existing programs in related service sectors, tourism and primary industries.	Atlantic Enterprise Program	Loan guarantees set at 85 percent of principal amount of loan; interest rate buy-downs up to 6 percentage points.
Establishment of qualified suppliers of defence or defence related products.	DIPP-Defence Industry Productivity Program.	Contributes toward the eligible costs of establishing qualified suppliers operating in Canada of defence or defence-related products.
Acquisition of advanced production equipment to modernize or upgrade manufacturing capability in Canada for defence and defence-related products.	DIPP-Defence Industry Productivity Program.	Contributes toward the eligible costs of acquisition.
Marketing feasibility studies on domestic and export market needs of Canadian defence-related products.	DIPP-Defence Industry Productivity Program.	Contributes toward eligible costs of market feasibility study.
Importing of advanced equipment not available in Canada.	MACH-Machinery Program.	Remission of certain import tariffs to reduce acquisition cost.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Purchase of machinery and equipment for earth-moving, manufacturing and processing, pollution control and energy efficiency uses.	Accelerated capital cost write-off.	Deduction from taxable income of cost of equipment at accelerated rate of up to 50 percent per year.
Purchase of assets to be used in manufacturing and processing, or of prescribed transportation equipment, with special emphasis on assets to be used in designated areas.	Investment Tax Credit.	Tax credit of between 7 and 60 percent of qualifying capital expenditures, depending on geographic area and purpose. Rates of 7 and 10 percent to be phased out by 1989, as proposed in February 1986 budget.
Purchase of assets to be used in expansion or modernization of existing facilities or the establishment of new facilities in designated areas.	Special Investment Tax Credit.	Tax credit of up to 40 percent of qualifying capital expenditures.
Depreciation of capital goods.	Capital Cost Allowance.	Assets are depreciated according to class between four and 100 percent. Common items such as trucks, computers and film depreciate at 30 percent, while buildings depreciate at five percent per year.
Product and Productivity Improvement		
Innovation projects for studies (e.g. technology acquisition), developing new products or processes, developing technological capability, and product design.	IRDP-Industrial and Regional Development Program.	Contributes of up to 50 percent of eligible costs.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Personnel Training and Development		
Employee Development and retraining.	Canadian Job Strategy.	Reimburses up to 80 percent of employee's wages for approved programs, e.g. On-the-job training for new employees, re-training, etc.
Manpower planning and worker productivity improvement.	Industrial Adjustment Service.	Reimburses up to 50 percent of costs of moving redundant employees to other jobs.
Technical Research and Development		
Applied research in approved industrial research projects which are high risk, expensive or long range, but with large potential benefits, use of external R&D facilities by small companies with less than 200 employees to solve specific technical problems.	IRDP-Industrial and Regional Development Program.	Contributes toward the payment of salaries of scientists, engineers, technologists and technicians.
Research and development.	UPP-Unsolicited Proposals Program.	Provides bridge funding of R&D in areas of scientific research of specific interest to the government.
Research and development undertaken by any company operating in Canada in the field of biomass development.	Bio-energy Development Program.	Contributes toward R&D costs for eligible companies.
Small and medium sized manufacturing firms undertaking industrial research and development.	IRAP-Industrial Research Assistance Program.	Provides Salary support for eligible companies.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Research and development in energy conversion being undertaken by companies incorporated in Canada, groupings of companies and individuals, trade and resource organizations, and consulting firms.	IERD-Industry Energy Research and Development Program.	Provides funds for eligible companies.
Development of new and improved techniques to increase efficiency of energy use.	IERD-Industrial Energy Research and Development Program.	Cost sharing of up to 50 percent of project's labour, materials and service costs.
Research and development being undertaken by company operating in Canada for projects relating to the defence industry.	DIPP-Defence Industry Productivity Program.	Contributions toward the eligible costs of establishing qualified Canadian suppliers of defence or defence-related products.
Development and demonstration of technology to result in greater resource conservation.	DRECT-Development of Resource Energy Conservation Technology.	Cost sharing of up to 50 percent of total estimated costs of an approved project. Special write-offs are offered for businesses using wind energy equipment.
Projects for industrial exploitation of available technology.	PILP-Program for Industry/ Laboratory Projects.	Contributes towards project costs.
Cooperation between industry and universities on R&D of specific interest to industry.	NSERC-Natural Sciences and Engineering Research Council University-Industry R&D Program.	NSERC provides funding to the university, cooperating firm contributes facilities, research staff for additional funding.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Technical Research and Development - Tax Incentives		
Research and Development activity.	Income Tax Incentive.	100 percent deductibility from income for current and capital expenditures on R&D.
Research and Development Activity.	Investment Tax Credit.	20 percent to 35 percent tax credit for expenditures on scientific research, depending on geographic area.
Development of Global Markets		
Export Sales.	EDC-Export Development Corporation.	EDC's services available to small as well as large exporters include: export credit insurance; long-term financing; surety insurance for performance guarantee; foreign investment guarantee for loss due to expropriation, war, etc.; discounting of foreign receivables.
Sales to non-Canadian government purchasing agencies.	CCC-Canadian Commercial Corporation.	Acts as prime contractor with client country; sub-contracts with Canadian firms; assists with prompt payment.
Export sales, investing in Canada, joint ventures, technology transfer, licencing.	Investment Canada, External Affairs, Embassies and Consulates.	A wide range of assistances and services. Market access information. Investment information.

FEDERAL INCENTIVE PROGRAMS

Type of Business Activity	Program	Incentives Available
Developing new export markets.	PEMD-Program for Export Market Development.	Contributes to a wide range of activities, including: specific project bidding; market identification; participation in trade fairs; incoming buyers; etc.
Federal Tax Incentives - Not listed elsewhere		
	Foreign Tax Credit.	Resident corporation in Canada is entitled to credit against income tax fully paid to foreign governments. The credit is limited to the amount of Canadian tax on the foreign business income before the credit.
Manufacturing and Processing activities.	Manufacturing and Processing Tax Credit.	A six percent deduction (five percent for small business deductions) on basic federal tax.
Mining, petroleum and logging operations.	Special Tax Credit and Deductions.	Tax credits made available for all three types of activities.
New Mining operations.	Mining Industry Tax Incentives.	Capital Cost Allowance for new mines allowing all capital costs incurred from a new mine to be written off at the greater of income from the mines or at 30 percent per year against all income of the corporation.
Exploration activity.	ETC - Exploration Tax Credit.	Qualifying Canadian exploration expenses incurred anywhere in Canada between December 1, 1985 and January 1, 1991.
Petroleum and Gas Production.	PGRT - Petroleum and Gas Revenue Tax Act.	Individuals resident in Canada are eligible for an annual deduction of $10,000 against their production revenue.

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Canada

The right attitude

The right attitude starts here.

The right attitude toward foreign investment starts with the Canadian government: specifically with Investment Canada.

This new agency replaces the Foreign Investment Review Agency. Investment Canada encourages investment by both Canadians and non-Canadians. The agency also carries out basic investment research and advises on investment policy. It reviews certain large-scale non-Canadian investment.

The new policy has brought about a major shift in investment emphasis. <u>In fact, there are now no reviews for most investments made by non-Canadians.</u> The sole requirement is to notify Investment Canada of the investment. This is done by filing a brief notification within 30 days of its inception.

Financial incentives for investors

There are a great many federal incentive programs offered to investors who are either starting up or expanding a business here. The programs are generous, varied and highly competitive with other jurisdictions. They include both grants and tax advantages, loan guarantees and insurance. What's more, each province has its own separate (and often complementary) incentive program. These are well worth examining.

Knowing the need for flexibility, we are constantly reviewing the programs to respond to the changing needs of investors. Obviously, these principles of change and response also apply to taxation. For these reasons, you'll find a seperate "Tax and Financial Incentives Update" section included in this package. This special section is reviewed and brought up to date every quarter.

Investments in cultural industries not normally subject to review may be reviewed if the government feels it is in the public interest. These include publishing, film, video, audio or music companies.

Major acquisitions are reviewed in order to satisfy the "net benefit to Canada" requirement. These include takeovers of Canadian businesses with assets of Cdn$5 million or more. If control is acquired through the takeover of a foreign parent, the threshold is Cdn$50 million.

Investment Canada has produced considerable research on current investment patterns, industrial trends and profiles and technology infrastructure. Our investment and legal counsellors will be happy to give you advice on any matter bearing on your investment.

We can, for example, provide you with the most up to date information on:

energy costs across the country;
regional centres of advanced technology;
the technological infrastructure;
industrial profiles;
federal and provincial industrial incentives;
joint ventures and licensing arrangements.

Further, we can help you:
make contacts in the public and private sectors coast to coast;
define your investment proposals;
identify potential investment opportunities and partners;
identify sources of capital and technology.

Finally, we can advise you on the precise legal interpretation and application of the Investment Canada Act. We can provide general information on other federal legislation affecting your business.

In Canada or the United States, simply call our toll free number: 1-800-267-0490.

Outside Canada, contact the nearest Canadian embassy consulate, or trade commission.

Other examples of our government's welcoming attitude:

Crude oil prices are deregulated. Oil and gas producers can market what they find wherever they choose. (Exception: long term export contracts.) The tax on new oil and gas ventures is gone.

There are no foreign exchange restrictions whatsoever. You're free to remit your profits wherever and whenever you choose. This freedom includes both dividends and royalties.

The deal we offer is simple. You bring us competitive investment; we'll give you the environment to make it grow.

Joint venture #1

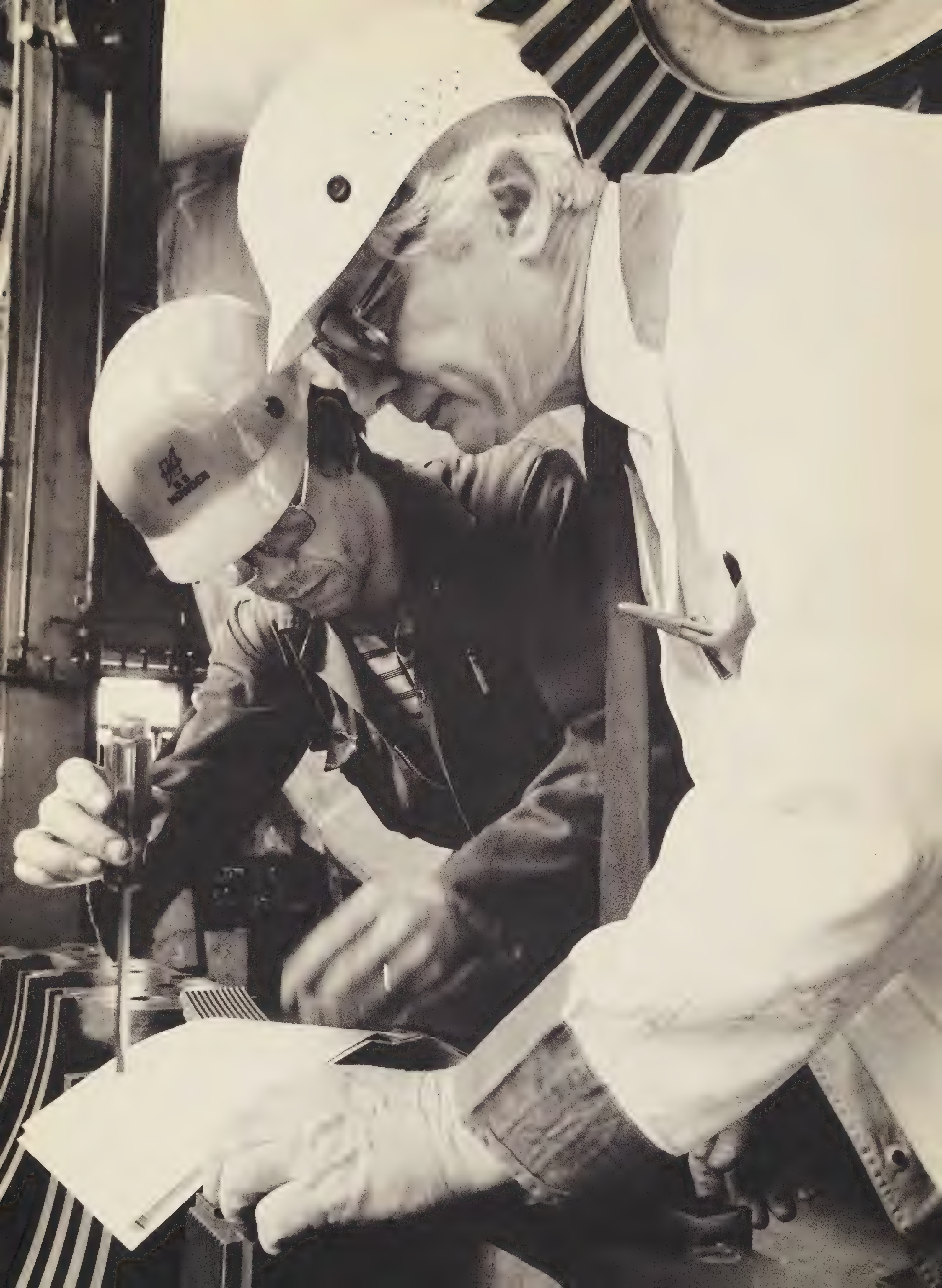
Wladimir Talanczuk Aircraft Manufacturing (Edmonton, Alberta) with Beijing Chang Fing Aircraft Manufacturing, China: to produce 500 ultralight agricultural spray aircraft.

World product mandate #1

Pratt and Whitney Canada Inc. (7,418 employees) Develops and manufactures smaller gas turbine engines for aircraft.

1984 revenues: Cdn$644 million, an increase of 18% over 1983.

Exports in 1984: Cdn$535 million or 83% of total revenue.



Welcome to one of the most favourable investment climates in the world.

Canada welcomes your business experience. The business immigrant program is designed to attract successful non-Canadian business persons. It is designed for three categories: the entrepreneur, the investor and the self-employed.

During 1985/86, over 2000 immigrants took advantage of this program. For 1986/87, the level has been set at 4000. This new level clearly demonstrates the commitment to attract more entrepreneurs to one of the most favourable investment climates in the world.

The term of conditional admission for entrepreneurs is now two years. This means quick access for those qualified and gives ample time to set up business. In exceptional cases, a conditional admission for up to three years will apply.

Joint venture #2

Acelot Ammonia Company (Kitimat, British Columbia) with Ocelot and Devco, Tulsa, Oklahoma: Cdn$80 million ammonia plant for the export market.

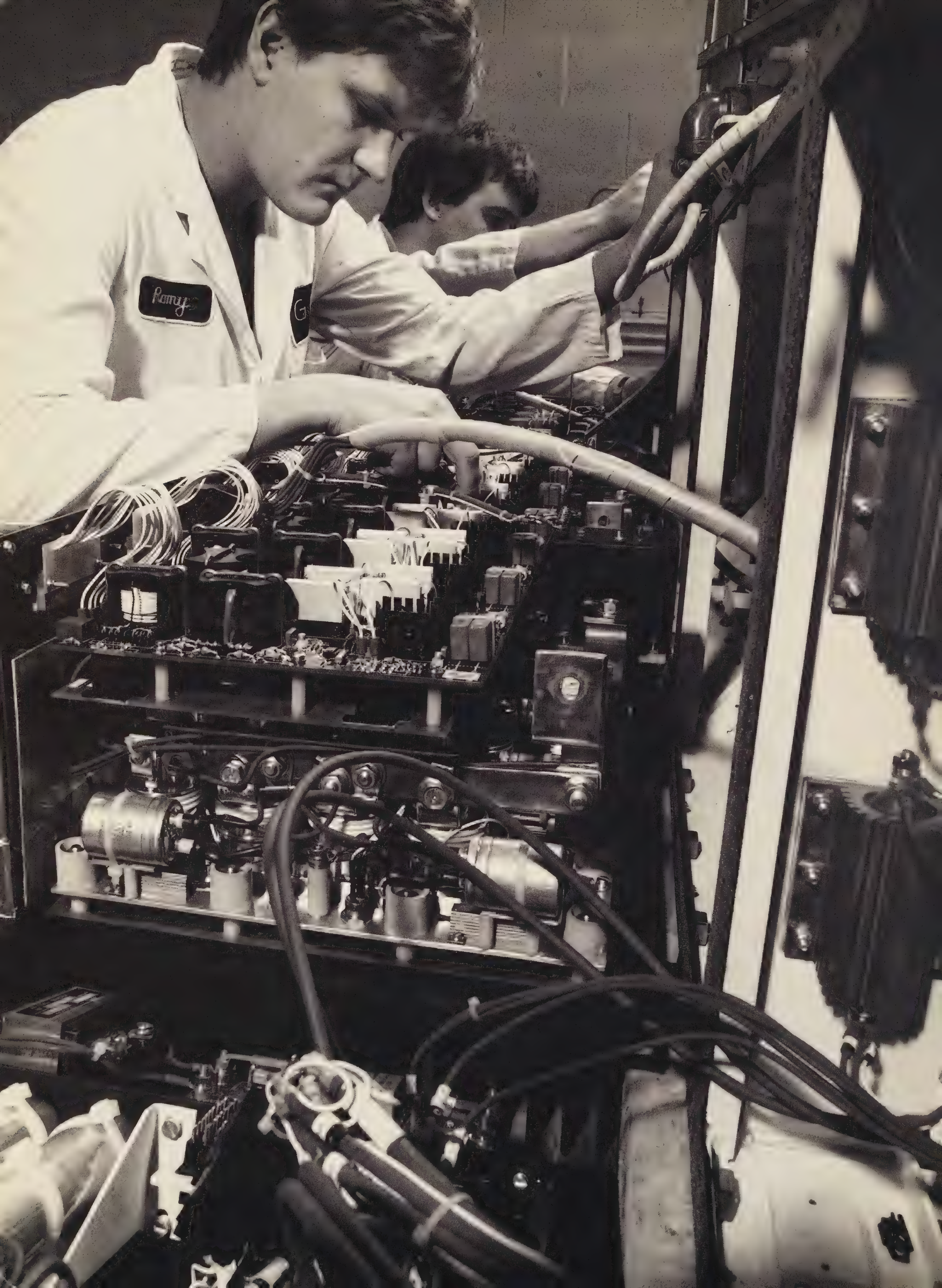
Joint venture #3

Hydro Quebec (Quebec) with Canadian Liquid Air Ltd.: Cdn$30 million liquid hydrogen plant.

In 1983, Canada introduced a special program to improve the quality of service to business immigrants. Specially trained business development officers are now working in 41 of Canada's embassies and consulates around the world. Other diplomatic staff, including commercial officers and investment counsellors, are also available.

Once in Canada, counselling is provided by local officers of the Department of Regional Industrial Expansion. Further, Canada's Federal Business Development Bank (See "Where to get capital" section) offers a computerized national business/investor introduction service. This can be of great service to non-Canadian investors as it helps them identify the most suitable opportunities.

A special business visa is now available to those who enter the country from time to time to oversee their investments, but who do not wish to immigrate to Canada. This visa allows multiple entries and is valid for one year.



Four ways to operate a business in Canada.

Commercial activity is generally carried on through one of four types of business organizations:

Sole proprietorships;
Partnerships, both general and limited;
Corporations;
Joint Ventures.

Corporations are the most common form of business organization. But for particular business, legal or taxation considerations, partnerships or joint ventures may be the form best suited to a particular investment.

Sole Proprietorship is the simplest form of business organization. Normally, it is used only with respect to very small business ventures. The business is owned and operated by a single individual who is personally responsible for all debts and obligations and is entitled to the benefit of all profits.

Partnerships consist of two or more individuals (or corporations) carrying on business together. A partnership is not a separate legal entity. In a general partnership, the partners each have unlimited personal liability for the debts and losses of the partnership. Limited partnerships have two types of partners; general and limited. The general partner is responsible for the management of the partnership and has unlimited personal liability for the partnership. Limited partners (who are not part of management) may restrict their liability to their financial contribution to the partnership. Partnerships may be advantageous for certain income tax purposes.

Corporations are legal entities, separate and distinct from their shareholders. This separate identity limits the liability of the shareholders for the obligations of the corporation. Flexibility, taxation and financing advantages may also lead to the selection of a corporation as the most appropriate vehicle for a particular investment.

A corporation may incorporate under either federal or provincial jurisdiction. All corporations will have the same basic characteristics, but the federal and provincial corporation laws under which they are incorporated will differ somewhat (public disclosure, for example). Choosing between federal and provincial incorporation will depend upon a number of factors, including the scope and nature of the proposed business.

Another option: a corporation incorporated outside of Canada may carry on business through a branch operation. Certain regulations must be satisfied. A branch operation makes the foreign corporation directly subject to Canadian law. Taxation consequences and availability of government incentive programs are other factors to be considered.

Joint Venture is a term used to refer to a wide variety of types of business organizations, (other than partnerships) where the business is carried on by more than one party. Most commonly, it refers to a particular business project undertaken by two or more parties who are already carrying on a business.

World product mandate #2

Xerox Canada Inc. (620 employees) Manufactures document sorters for world markets.

1984 revenues: Cdn$753.9 million; profit Cdn$56.4 million

In 1983, exported Cdn$147 million through world product mandating.

Where to get capital.

The system The supply of money and credit is controlled through a central bank: The Bank of Canada. This responsibility is discharged through The Bank's position as banker to both the federal and provincial governments and the commercial banks. Although The Bank has sole control over the flow of currency, it does not intervene in private sector investment decisions.

The chartered banks The Canadian banking system is the major source of external debt financing. Although the banks have been the primary source of short-term business working capital, they now extend many long-term loans (plant expansion, export financing, etc.). They also engage directly in leasing.

There are two types of chartered banks. "Schedule A" banks are our domestic banks, in which non-Canadian ownership is restricted to 25% and individual ownership to 10%. "Schedule B" banks are a new type of bank; in which there are no restrictions on ownership.

Domestic banks The top five of these rank among the top 70 banks in the world in terms of assets. Canada's 12 domestic banks operate national networks of 6,862 branches across the country. This means you can walk into almost any community in Canada and have full-service facilities connecting you to every trading country in the world. What's more, these banks operate 243 branches in over 40 foreign countries. Our system is quite different from the US, where about 14,000 different banks have operations most likely restricted to a single state or community.

Non-Canadian banks These are primarily commercial and tend to serve mid-sized companies. They have been successful since their inception in 1980: their share of the Canadian banking industry has grown from 8% to 16%. Their number stands at 55 (March 1986). With this wealth of foreign representation, it's quite possible you would be able to deal with a home bank right here in Canada.

Our non-Canadian banks provide the same range of services as our domestic banks: loans, deposits and commercial services.

Trust and Mortgage Companies are deposit-taking institutions, similar to our chartered banks. However, they do not normally provide a full range of commercial banking services. They generally invest funds in residential and shorter-term mortgages in a wide variety of commercial and revenue-producing properties (similar to savings and loan institutions in the United States).

Insurance Companies Although their primary role is risk underwriting, insurance companies must find ways to deploy premium income. One option is to provide financial services to business. Those needing financing for over five or ten year terms can use these resources. Real estate transactions, for example, might require terms of up to 40 years. Under these circumstances, insurance companies would be very competitive.

Securities Firms or investment dealers: join those with capital with those in need of it. This matching process can be accomplished in either of two ways. First, the dealer might underwrite new public issues of corporate or government securities, or offer new issues to the public on a "best effort" or agency basis. The second way is to place corporate securities with private individuals or corporations. Securities legislation

Major Canadian banks

Assets: September, 1985 Cdn$billions

Rank	Bank	
1	Royal Bank	95.52
2	Bank of Montreal	83.35
3	Imperial Bank of Commerce	76.44
4	Bank of Nova Scotia	60.80
5	Toronto-Dominion Bank	51.10
6	National Bank	21.79

Source: Canadian Bankers Association

for private placement is much less stringent than for public issues. (Note: on a per capita basis, Canadians raise twice as much capital as Americans.)

Stock Exchanges There are five, located in Toronto, Montreal, Vancouver, Calgary and Winnipeg. All are regulated by the province in which they're located, so there are some differences in regulations.

Listing a corporate stock on a Canadian exchange is usually quite simple. Each new listing must meet certain minimum requirements. These are much the same as those of the Securities and Exchange Commission in the US.

With over 80% of the dollar volume in Canada, the Toronto Stock Exchange is the country's largest. From 1982 to mid-1985, it out-performed both the London and New York exchanges.

Our bond market is also well developed. Major corporations regularly raise capital by issuing bonds and debentures. Securities dealers usually handle the underwriting and distribution of these securities.

An "over-the-counter" secondary market ensures liquidity.

Sales Finance Companies provide a wide range of services to both consumer and commercial clients.

Small loans go to consumers for the consolidation of personal debts, purchase of automobiles and household appliances and vacations. On the commercial side, sales finance companies handle vehicle fleet leasing or equipment financing.

Credit Unions are co-operative associations which primarily accept deposits and offer mortgage and personal loans (similar to savings and loans banks in the US). Many provide loans to small business; chequing facilities, term deposits, travellers' cheques and lines of credit.

Venture Capital Companies generally make investments in the range of Cdn $500 thousand to Cdn $5 million. They offer assistance and management advice to those businesses with whom they have invested.

Government Sources The Federal Business Development Bank is a Crown corporation which helps most types of business in Canada, particularly those of small to medium-size. The FBDB offers three principal services: (1) financial services (loans, loan guarantees, and financial planning with special attention to exporting); (2) investment banking; (3) management services such as counselling and training.

Export Development Corporation is a crown corporation whose purpose is to develop Canada's export trade. It does so by offering services in three broad categories: insurance, guarantees and export financing. Any business in Canada can use EDC's services if: (1) there is an export sale; (2) the transaction is economically sound; (3) the buyer is credit-worthy; and (4) the goods or services have a Canadian content of 60%.

Provincial Financial Institutions Each province has its own financial agency which provides financial assistance in the form of a direct loan or loan guarantee to companies in that province. These agencies complement rather than compete with other financial institutions.

Joint venture #4

Waterville Cellular Products Ltd. (Ste. Jerome, Quebec) with Inone MTP Co. Ltd. (Nagoya, Japan): to manufacture instrument panels and interior trim for autos.

Joint venture #5

Champion Road Machinery Group Ltd. (Goderich, Ontario) with Halthai Group (Thailand): a plant in Thailand will assemble motor graders.

Joint venture #6

Canada Packers Inc. (Toronto, Ontario), with Sea Farm (Norway): Cdn$25 million salmon hatchery in New Brunswick.

By 1987, eighty percent of Canada's exports will enter the United States duty free!

Customs Canada has adopted the international customs valuation system. This means a fair, uniform and neutral system of valuation which conforms to commercial realities. Value for duty is based on the price actually paid or is payable for goods as exported here.

Tariff structure, classification and rates The Canadian Customs Tariff consists of more than 3,500 items. Most refer to specific commodities, some to the significant component of a specific commodity. The Custom Tariff classifies the goods and sets the rate of duty applicable to each item. Classification is influenced by: whether the goods are materials, semi-finished or finished; whether they are of a class or kind manufactured in Canada; whether they are for a particular end use.

Most duties are expressed as a specific percentage or as a specific rate. There are five different rates: British Preferential, United Kingdom and Ireland, Most Favoured Nation, General Preferential and General. If a country qualifies for more than one rate, the lowest is applicable.

As a result of the General Agreement on Tariffs and Trade (Tokyo Round), tariff rates applied to imported goods are being reduced. This shows the current most-favoured-nation rates and planned reductions to the end of the current GATT agreement (December, 1987). By then tariffs on imported manufactured goods will have declined on an average of approximately 10%. By the same agreement, some 80% of Canadian exports to the US will be duty-free by 1987. An additional 10% will be subject to duties of less than 5%.

When the value for duty cannot be determined on the basis of the transaction value, there are five alternative methods, applied in this sequence; identical goods, similar goods, deductive, computed, residual.

As a general rule, all goods coming into Canada must be declared at the time of entry and have complete documentation.

Duty drawbacks A drawback of duty and sales taxes paid at the time of import is allowed when the goods or material are used in the manufacture of a product to be exported later. Manufacturers with proven export records may get remission of duty at the time of entry.

Imports of specified equipment or materials used by certain Canadian industries may be subject to duty drawbacks. Drawbacks are also granted on obsolete or surplus goods not consumed here.

Labelling Food product labels must show the common name, net quantity and name and address of the manufacturer or Canadian distributor. A list of ingredients appears on most pre-packaged food products. Although not prescribed, other information is included.

Non-food product labels must provide: identity of the product, usually stated in terms of its common or generic name or its functions; net quantity of the product in metric units; name and location of the manufacturer or distributor.

World product mandate #3

Westinghouse Canada (5,200 employees) Develops and manufactures industrial gas turbines.

1984 revenues: Cdn$578 million; profit: Cdn$16 million.

Exports: Cdn$144.6 million (an increase of 48%)

Labels for garments and household furnishing fabrics must provide:

fibre content by generic name, with the percentage by weight in English and French; dealer by whom or for whom the article is manufactured or by whom the article was imported and labelled;

country of origin, if the article or any part of it is imported.

General requirements False or misleading labels of food and non-food products are prohibited. Claims must be accurate.

French and English labelling is mandatory on prepackaged goods. Goods distributed only in Quebec must have a French-only label or be accompanied by a French version.

There are 60 categories of goods which must have the country of origin of the goods clearly marked prior to their entry.

Packaging and insurance If packaging and insurance charges are paid by the exporter and passed on to the importer, they must be shown as a separate item from the selling price of the goods. Packaging charges are included in the value for duty; insurance charges are not.

Standards and codes The Standards Council of Canada is responsible for co-ordinating standards in the construction, manufacture, quality, performance and safety of all structures and products.

Five organizations prepare standards under the Standards Council: the Canadian General Standards Board, the Canadian Standards Association, the Canadian Gas Association, the Underwriters' Laboratories of Canada and le Bureau de Normalisation du Québec.

These standards are voluntary, although they may become mandatory through government action or through contractual agreement. Relevant international standards are reviewed for possible application.

Certification is a major aspect. This simply means a product meets specifications or minimum performance or safety requirements.

A certification mark means that a product conforms to the technical requirements. Certification marks are affixed to the product and spot checks are made to make certain the product continues to meet the standards. Occasionally, certification is mandatory, usually where safety is paramount. For example, certification of electrical products is covered by provincial legislation, but it's the manufacturer's choice whether or not to have the product certified.

The five certification bodies in the National Standards System are: the Canadian Gas Association (CGA), the Canadian Standards Association (CSA), the Council of Forest Industries (COFI), Underwriters Laboratories of Canada (ULC) and Warnock Hersey Professional Services (WHPS).

The CSA certifies diverse products. These include consumer and commercial products (tools, appliances, office machines); health-care (child-resistant packaging); occupational health and safety (chainsaws, ladders); public safety (bicycles, hockey helmets, eye protectors for racquet sports).

ULC involves life, fire and property hazards. Products such as fire protection equipment (smoke alarms, fire extinguishers), burglar alarms, chimneys, and fireplace inserts are certified by the ULC.

The CGA writes standards for and certifies gas-fueled products: gas barbecues, swimming pool heaters, furnaces and portable camping equipment.

WHPS certifies fire-resistant materials: fire doors, fire door frames and hardware and wall assemblies.

COFI covers a new category: plywood made from soft woods.

World product mandate #4

Canadian General Electric (12,300 employees) Manufactures large hydraulic turbines and waterwheel generators for hydro-electric utilities.

1984 revenues: Cdn$1417 million; profit: Cdn$39.8 million.

Exports: Cdn$154.7 million (increase 7.7%)

Joint venture #7

Lavalin Inc. (Montreal, Québec) with Paques B.V. (Netherlands): building the Biopag Wastewater Treatment System.

A fair balance between management and labour.

Although both federal and provincial governments have power to enact labour laws, the prime responsibility falls with the provinces. Federal labour legislation applies to inter-provincial undertakings, (railways, trucking, telephone and cable systems) and crown corporations.

Minimum wage and working age Minimum wage laws apply in all federal, provincial and territorial jurisdictions. Rates vary from $3.50 to $4.25 per hour. There are special rates for some workers: part-time employees, students, young workers and trainees. Overtime rates are paid at 1½ times the regular wage and apply after the basic work week. This is normally 40 hours, but it can go as high as 48 hours a week in some jurisdictions. The minimum working age is also set by jurisdiction. In general, it's 16 years.

Hours of work The five-day, 40-hour work week is the norm. Flexible and/or staggered hours are in effect for almost half of all office workers.

Strict standards govern the work day and work week; maximum hours are set for which regular wages are paid. One rest day must be scheduled every week.

Annual vacations An employer must provide a minimum of two weeks annual vacation a year (taken within a specified period). Vacation pay is generally set at a minimum of 4% of annual earnings.

Statutory holidays Prince Edward Island is the only province which has no legislative provision for paid statutory holidays. In the other provinces, holidays range from five to 10 in number.

Pensions Both the Canada Pension Plan and the Quebec Pension Plan provide workers and their families with a basic level of income protection on retirement, disability or death. Paid workers between the ages of 18 and 70 have access to either of the two plans regardless of location or occupation.

About 1.8% of the salary is deducted from the employee's pay at source. The employer must match this amount. At 65, the employee is eligible for these benefits, even though he or she may still be working. The employee may opt to defer benefits to age 70 and continue to contribute. But at 70, contributions cease.

Maternity protection With the exception of the Northwest Territories and the Yukon, legislation provides for a period of absence from work for expectant mothers. This varies from 12 to 18 weeks. In most provinces an expectant employee is entitled to maternity leave and job security on her return if she has been continuously employed for at least one year. The Provinces of Nova Scotia, Prince Edward Island, Quebec and Saskatchewan also have legislation dealing with paternity and/or adoption leave.

Human rights, fair employment practices and labour codes A number of laws provide the aggrieved with a choice of initiating court proceedings or making a complaint. Discrimination on the basis of race, religion, colour, creed, sex, age and other factors is against the law.

Joint venture #8

Canadian General Electric (Toronto, Ontario) with Valmet Corp. (Finland): machinery for pulp and paper mills.

Termination In general, employees can be terminated for cause: incompetence or redundancy, for example. The termination may be challenged in court. Severance pay varies with the jurisdiction.

Unemployment Insurance About 95% of workers are protected by unemployment insurance. To be insurable, a worker must be employed by the same employer for at least 15 hours a week and be earning at least $92 a week. Self-employed workers and those over 65 are ineligible.

Employers deduct the insurance premiums at source. These are sent to the federal government along with the employer's contribution.

The maximum benefit paid is 60% of the average weekly insurable earnings. This is calculated on earnings received in the last 20 weeks of insurable employment. For those with less than 20 weeks of work, the benefit is based on the average of those weeks.

Occupational safety and health All jurisdictions have compensation programs to provide benefits for workers with work-related injuries or disease. Funds are supported by the employer at compulsory rates. These are set by provincial workers' compensation boards.

Joint venture #9

Vencap Equities Alberta Ltd., (Calgary, Alberta) with BioTechnica International Inc., (Cambridge, U.S.A.): to develop disease-resistant canola.

World product mandate #5

IBM Canada (11,725 employees) Produces certain lines of computer display units and printers and multi-year ceramic circuitry.

1984 revenues: Cdn$3.0 billion (an increase of 20% over 1983)

Exports: Cdn$884 million (an increase of 46%)

Each province has measures to promote and ensure occupational safety and health. Inspections are carried out at construction sites, plants and other potentially hazardous workplaces.

Fringe benefits Besides paid vacations and holidays, other benefits may be provided by the employer, who sometimes shares the cost with the employee. Examples: insurance plans, supplementary health and dental care plans and salary continuation plans (pensions, sick leave, supplementary medical care and long-term disability). Other benefits usually provided: daily rest periods (coffee breaks), time off for bereavement or other compassionate grounds. Special overtime call-back, stand-by and severance pay are also included.

Collective bargaining and industrial relations In 1985, union membership in Canada stood at 3.7 million, 30% of the labour force. Various labour codes guarantee the right to representation by a trade union, provided the majority of workers in the unit so certify. Bargaining in good faith is a notable feature of the Canadian system. Refusal to do so constitutes unfair labour practice and is subject to prosecution. Collective bargaining is strictly regulated.

The collective agreement must be of at least one year's duration in all jurisdictions. It governs wages, fringe benefits and working conditions and, usually, management rights. The remaining items are open to bargaining.

Unions have the right to strike; employers the right to lock out. Conciliation is mandatory before either can take place. Questions or grievances are settled through arbitration or adjudication.

Like comparing apples and oranges.

By its nature, every investment must have its own special characteristics. These make a definitive, accurate tax picture for your investment virtually impossible to produce in a guideline brochure.

Further, tax impact comparisons of various jurisdictions can be like comparing apples and oranges. For example, US and Canadian taxing powers differ widely. What's more, the type of business can affect the tax picture. As for jurisdictions outside North America, comparisons go from difficult to impossible. For instance, a substantial portion of North America revenue comes from consumption and income taxation. The European Economic Community member states place a heavy reliance on value added taxation, a method not current in North America.

For these reasons, we will provide a few general principles on taxation and the suggestion that you refer to the "Tax and Financial Incentives Update" supplement included in this package.

For helpful references in Canada, simply contact the Canadian embassy, consulate or trade commission nearest you.

General principles The federal government collects corporate and personal income taxes, indirect sales and excise taxes and custom duties. The provincial governments collect income and retail sales taxes and royalties on natural resources. Municipalities collect property and school taxes.

World product mandate #6

Mitsubishi Electronics Canada (465 employees) Has the world product mandate for colour TV picture tubes.

1984 revenues: Cdn$56 million

Exports: Cdn$36.4 million (65% of total revenue)

The tax policies of the federal and provincial governments are quite similar. Although companies must file separate tax returns to both jurisdictions, it isn't necessary to develop two tax planning strategies.

All corporations, individuals and trusts are subject to Canadian income tax legislation. Partnerships as such are not subject, but the individual partner is taxed on share of income. These taxes are levied on all sources of income, world wide. The basic tax rate is 46% on taxable income: capital gains, business or investments. A wide variety of deductions reduce both the amount of taxable income and the rate at which it's taxed. Most businesses pay taxes at rates well below the basic rate.

To prevent the inequity of double taxation (and also tax evasion), Canada has entered into a series of international tax treaties.

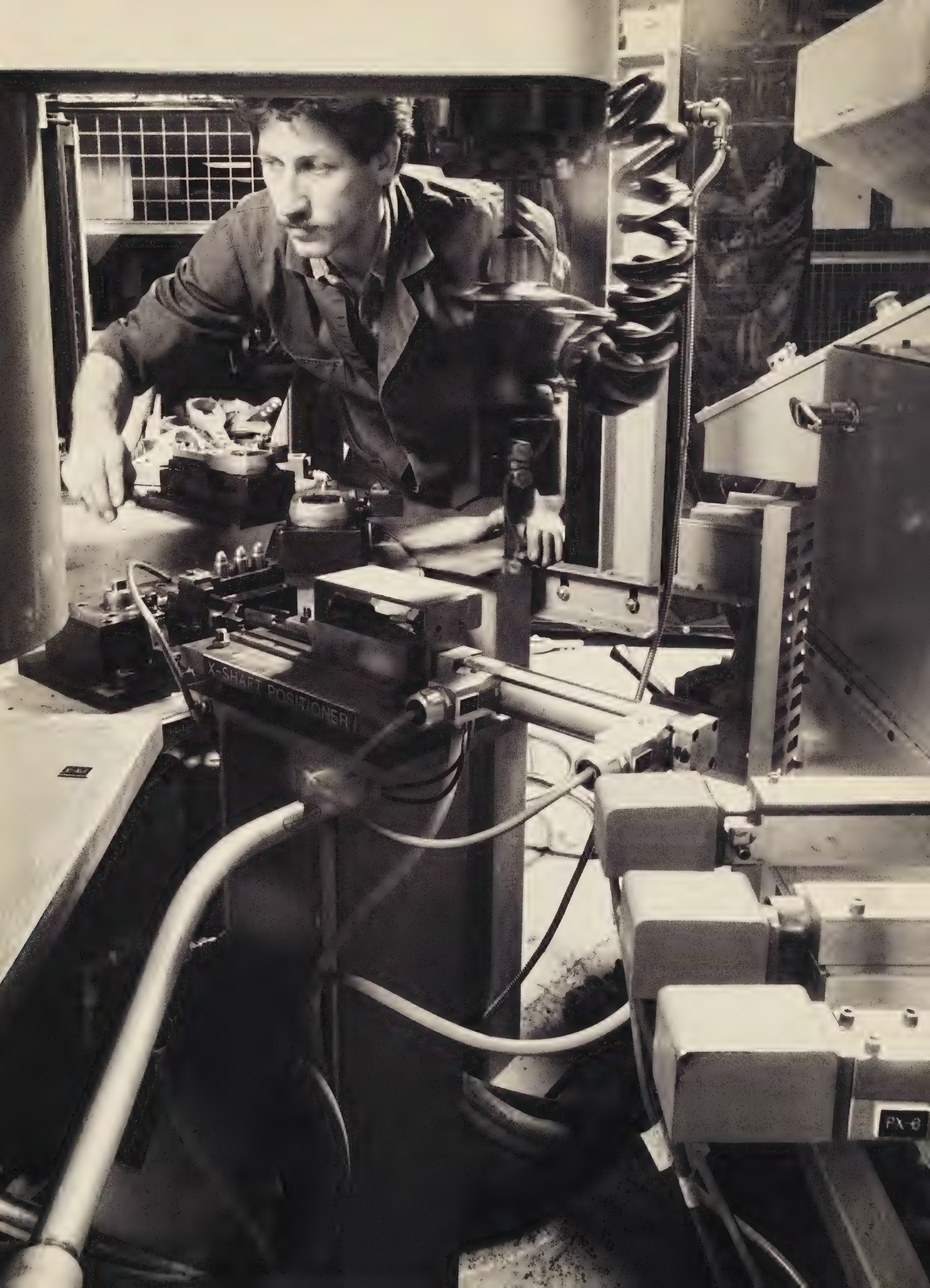
As for personal income taxes, anyone who resides in Canada for a total of 183 days a year is considered a resident for tax purposes. Their taxable income includes world-wide income from all sources, including employment capital gains (net of losses) and property.

A federal sales tax is imposed on most goods made in Canada or imported. The current tax is 11%. Nine of the ten provinces impose a retail sales tax, which varies from 7% to 12%.

Excise taxes are imposed on specific goods either produced here or imported. These vary with the type of goods.

Joint venture #10

I.P Sharp Associates Ltd. (Toronto, Ontario) with McGraw-Hill, (New York, U.S.A.): to develop a computerized trading system for international brokers.



X-SHAFT POSITIONER
PX-8

The hours, the holidays, the weather, the clothes, the food.

Business hours, coast to coast

Government and businesses	9 to 5 pm weekdays
Banks	10 to 3 pm weekdays

Many banks have extended hours, especially on Fridays and Saturdays.

Shops	10 to 5:30 pm (with extended hours Wednesday through Saturdays.

Some shops are open on Sunday. This is the exception rather than the rule.

Federal Holidays	1986	1987	1988
New Year's Day	Jan. 1	Jan. 1	Jan. 1
Good Friday	Mar. 28	Apr. 17	Apr. 11
Easter Monday	Mar. 31	Apr. 20	Apr. 14
Victoria Day	May 19	May 18	May 23
Canada Day	July 1	July 1	July 1
Labour Day	Sept. 1	Sept. 7	Sept. 5
Thanksgiving	Oct. 13	Oct. 12	Oct. 10
Remembrance Day	Nov. 11	Nov. 11	Nov. 11
Christmas Day	Dec. 25	Dec. 25	Dec. 25
Boxing Day	Dec. 26	Dec. 26	Dec. 26

The weather and what to wear

May (warm days, cool nights)	Medium-weight and summer apparel.
June (warm days and nights)	Summer clothing.
July and August (the warmest months)	Light-weight summer clothing.
September (warm days, cool evenings)	Light- to medium-weight clothing.
October (cool)	Medium- to heavy-weight apparel.
November (cool, frosty)	Medium- to heavy-weight apparel. Motorists should have cars winterized. Snow tires or all-season radials are recommended.
December, January, February (cold)	Winter apparel. Heavy snowfall in most provinces.
March (moderating)	Winter apparel with some medium-weight wear.
April (milder days, cool evenings)	Medium-weight apparel.

Welcome to our table Canadian cuisine earned first prize at the World Culinary Olympics in Frankfurt (1984).

Canada has a stated and fulfilled policy of preserving ethnic heritage (see chart). So it will come as no surprise that the country's cuisine is complemented by an astonishing variety of ethnic dishes, served in restaurants and homes coast to coast.

West coast specialities: salmon, oysters, fresh halibut, Pacific prawns and Dungeness crab and fresh fruits.

The Prairie Provinces of Alberta, Saskatchewan and Manitoba are known for beef, wild rice, whitefish and arctic char.

Ontario has splendid cheeses (including the world famous cheddar). It also provides sweet corn and tomatoes, lamb, pork, fowl, freshwater fish and fruit.

Quebec has a distinctive French-rooted cuisine, which includes specialties like cipaille (a game pie), tourtiere (a spiced pork pie), ham and pea soup and maple syrup products.

The Atlantic Provinces of Newfoundland, New Brunswick, Prince Edward Island and Nova Scotia are famous for fish and vegetable dishes, salt and freshwater fish, scallops and lobsters. Fiddlehead greens are a great delicacy, as are broiled lobster dinners.

Major ethnic groups by province—1981

(thousands)

	Canada	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon	N.W.T.
British	9674	520	93	609	369	487	4488	374	366	963	1385	10	10
French	6439	15	15	71	251	5106	653	74	47	112	92	1	2
German	1142	2	1	33	6	34	373	108	162	233	188	1	1
Italian	748	*	*	3	1	164	487	10	3	27	53	*	*
Ukranian	530	*	*	2	1	15	134	100	77	137	64	1	1
Native Peoples	413	3	*	6	5	47	84	60	55	60	65	3	25
Dutch	408	1	1	13	4	8	191	34	17	65	72	*	*
Chinese	289	1	*	2	1	19	119	7	8	37	97	*	*
Scandinavian	283	1	*	2	2	4	40	25	43	79	85	1	1
Polish	254	*	*	2	*	20	123	28	18	37	24	*	*
Portuguese	188	*	*	*	*	27	129	8	1	6	16	*	*
Greek	154	*	*	2	*	49	86	2	1	5	8	*	*

Less than 500

Source: Statistics Canada Census of Canada, 1981

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Canada: Welcome to the trading nation

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